Rental Nation
A Plan for Secure Housing in Australia

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About the Author

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Executive Summary

Australia is becoming a nation of renters. As of August 2020, there are 2.6 million households and 8 million people renting, or 31% of the population.

Australians are renting for longer and often permanently as home ownership grows out of reach for generations of working and middle-class Australians, and the national supply of affordable housing remains inadequate. As a nation, we need to carefully consider the implications which will result from a permanent shift in the ratio of renters to homeowners, including intergenerational equity considerations.

In the context of economic insecurity, more Australians are experiencing high levels of 'housing stress' and, specifically, 'rental stress'. Put simply, the proportion of wages and salaries expended on housing working people and their families and paying regular mortgage and rent monies is on the rise. Aside from the financial and emotional strain on individuals and families, and social mobility, notably for low-to-moderate-income socio-demographic groups, growing rental stress is a real risk to a precariously placed economy, hitting disposable incomes, and weakening productivity and growth. The COVID-19 pandemic has exacerbated these worrying trends. Housing stress must be addressed as a matter of urgency by the commonwealth government if the national economy is to recover in the months and years ahead, beyond the crisis.

Australia should not give up on home ownership, but we can make renting better. As it stands, Australians are covered by a patchwork set of state and territory government laws covering the rights and responsibilities of people renting privately. Insecurity of tenure, sudden hikes in rent payments, and unjust bonds – a security deposit paid at the start of the tenancy – rank among the common complaints of renters. While progress on rental rights has been made in several jurisdictions – notably laws enacted by the Victorian Labor government – there is a need for a broader conversation around how Australia deals with the structural shift to higher and more permanent number of renters, considering social, economic and community costs.

Drawing upon local and international housing trends and regulatory frameworks, *Rental Nation* outlines six practical policy recommendations to ensure Australia remains a country where renting privately remains a dignified, secure, and just form of housing oneself and one's loved ones. The report includes a holistic set of concrete proposals for immediate government action on housing affordability with a view to addressing long-run systemic policy failings.

Key recommendations

Rental Nation proposes six recommendations to tackle long-run, systemic problems around rental stress and insecure tenure simultaneously addressing COVID-19 specific challenges:

1. To address rental stress, the federal government, through the existing mechanism of Commonwealth Rental Assistance (CRA), should **permanently increase the levels of rent assistance to eligible, lower income individuals, (solo) women (especially targeted at women aged 55 and above) and families**. Strategically paired with investment in build-to-rent and build-to-rent-to-own, and expansion of social housing, this structural change to renter's income would have the added benefit of attracting investment by superannuation funds into affordable housing by generating a more acceptable rate of return to investors, to say nothing of the stimulatory effect on disposable incomes and of that provided by large-scale of residential construction.

2. The Commonwealth needs to **immediately and permanently increase JobSeeker payments as well as extending JobKeeper** in the foreseeable future. These measures would not only assist unemployed, lower-income, and precariously employed private renters during and after COVID-19, but also help stimulate a weak economy.

3. The Commonwealth should establish a permanent **National Affordable Housing Agency (NAHA)**, ideally a statutory body, similar in function to the defunct National Housing Supply Council, and **the federal Housing Minister should be elevated to full cabinet level**. The NAHA would work through the Ministry and national cabinet and its workings allow representatives from key government agencies, not-for-profit organisations, industry bodies and associations, superannuation funds, academics, and other housing experts to formulate policy. The agency's terms of reference would seek to identify the economic, social and community costs of a high-stress, insecure private rentals and plan long-term structural remedies by way of coordinating commonwealth, state and local government efforts to build and maintain a pipeline of affordable housing whether build-to-rent, build-to-rent-to-own or forms of community housing. The commonwealth would facilitate bringing complex and large projects to market. Within 18 months of its establishment, NAHA, in consultation with state and territory governments, the National Housing Finance and Investment Corporation and other stakeholders should **produce a long term, national affordable housing plan**.

4. The NAHA should oversee a dedicated **national policy agenda aimed at maximizing the affordability and security of tenure of renters**. First, the commonwealth working in tandem with state, territory and local governments should support tax and other changes to **facilitate significant institutional investment**, particularly by superannuation funds, **in large-scale construction of build-to-rent and build-to-rent-to-own models**. Current legislation does not clearly account for these asset classes. Reform is needed to facilitate the conditions to make investing in affordable housing more sustainable, through land tax changes, inclusionary zoning, and subsidies, be that land or rent. Second, **building up the capacity of community housing** associations is critical to a holistic approach to alleviating housing stress. We recommended the commonwealth government

through NAHA adopt the Social Housing Acceleration and Renovation Program's (SHARP) recent community housing stimulus proposals in full.

5. Linked explicitly to the expansion of build-to-rent/build-to-rent-to-own, the NAHA should investigate the viability of and establish basic guidelines around a **national charter of renter's rights and responsibilities**, setting clear national minimum standards around security of tenure, stability and fairness of rent prices, and bonds. The charter should seek through uniform tenancy laws a **two-year national minimum tenure for renters to apply across state and territory jurisdictions**. Our housing law must stress that security of tenure is paramount. Ideally, this should be paired with providing incentives for landlords to offer long-let rentals. In addition, a charter should spell out rights and responsibilities that apply during 'black swan' events such as COVID-19, in consultation with government, tenants and tenants' associations, landlords, real estate agents and single-owner managers.

The National Affordable Housing Agency should also:

6. **End the 'dead money' practice of security bonds not delivering for renters**. Attractive alternatives should be considered such as: bonds could (a) be placed in an interest-generating, guaranteed account, which could be run by the states or the commonwealth; or (b) bond monies could be placed in the renter's nominated superannuation account, with appropriate legislative amendments to facilitate. The interest earned (a) or in the case of (b) return on investment would be solely owned by the renter. At the end of lease, the bond, depending on adjustments made for damage, could be held in perpetuity, or released to the renter with interest.

Foreword

Housing is a critical piece of a community's physical and social infrastructure.

Shelter is not only a basic physical need, and where we rejuvenate as individuals, but it is where society nurtures our young and where we care for our elderly. Whether housing is affordable and secure has a profound impact on our social, economic, physical, and mental health.

Australia has a problem with the lack of security it provides for those of us who rent. As more people rent, and rent for longer, this problem must be acknowledged and addressed. Some will rent as a matter of preference, but others will rent because they cannot afford to enter a housing market that is marching away from lower paid Australians in less secure jobs.

In 2017, the Fair Work Commission described retail (and hospitality) workers as

> "more likely to be female, younger (under 25 years), work part-time hours, be employed on a casual basis and be award reliant than employees in other industries. Employees in these industries are also more likely to be low paid".

Housing security and the rights of those who rent is becoming a critical issue for retail workers and it is why the SDA commissioned this research from the John Curtin Research Centre. It is in the best interests of retail workers that the debate around housing security, and the need for greater security for those who rent, is advanced through a more equitable frame.

The rights of those who rent in Australia have not kept pace with the structural shift towards renting that has occurred in recent decades. We should not view renting as some precarious waiting room for home ownership. Whether an individual or family rents out of choice or necessity they are entitled to a sense of security in that housing arrangement.

We must develop policy that provides a sufficient supply of good quality housing to meet the needs of every Australian whether they rent or own property. This research paper is a significant contribution to the debate that must now take place in the development of such policy.

Housing is a nation building project and every Australian has a vested interest in ensuring it is provided on secure and affordable terms.

Gerard Dwyer
National Secretary
Shop Distributive and Allied Employees' Association (SDA)

Introduction

In his seminal May 1942 'Forgotten People' broadcast, then former prime minister Robert Menzies paid homage to what he saw as the inherent virtues of middle Australia.

"The home is the foundation of sanity and sobriety", he insisted, "it is the indispensable condition of continuity; its health determines the health of society as a whole." For Menzies, the home was not merely a physical, "material" asset, a result of hard work and thrift. In lauding the importance of "homes human" and "homes spiritual", in Menzies' view, the home and the ideal of home ownership spoke to a basic human need for security, stability, and dignity. Indeed, it was signal evidence of national progress.[1] Aside from providing the basic human need for shelter, secure and affordable housing is the foundation of individual autonomy and opportunity, enabling people to find meaning and purpose in their lives, a bedrock of family and community well-being, a bulwark against violence and crime, and ballast of a productive workforce. Insecure housing and homelessness as a child can often produce lifetime consequences for adults.[2] This should be a bipartisan view. The 2015 Senate Economics References Committee Report, *Out of reach? The Australian housing affordability challenge*, noted "affordable, secure and suitable housing is a vital determinant of wellbeing."[3] And as Misha Zelinsky wrote in his John Curtin Research Centre Report, *Housing Addicts: How the 'Australian Dream' turned into a nightmare*:

> Housing is one of the yardsticks in measuring how well our society is functioning, and of its cohesiveness, but at an individual level having a roof over one's head is deeply personal – it's about our self-respect, dignity and the ability to stand on one's own two feet and provide for those closest to us. A home is the glue that provides us with stability, comfort, safety and love.[4]

Menzies was keenly attuned to the importance of home ownership to his electoral fortunes: a more middle-class electorate, brimming with homeowners, was politically advantageous. Implicit in Menzies' message, too, was an understanding of the reverse scenario. A society where housing becomes insecure and unaffordable, is bad for individuals, families, and the economy. At the extreme, it discourages social cohesion, and spurs more volatile politics over time.[5]

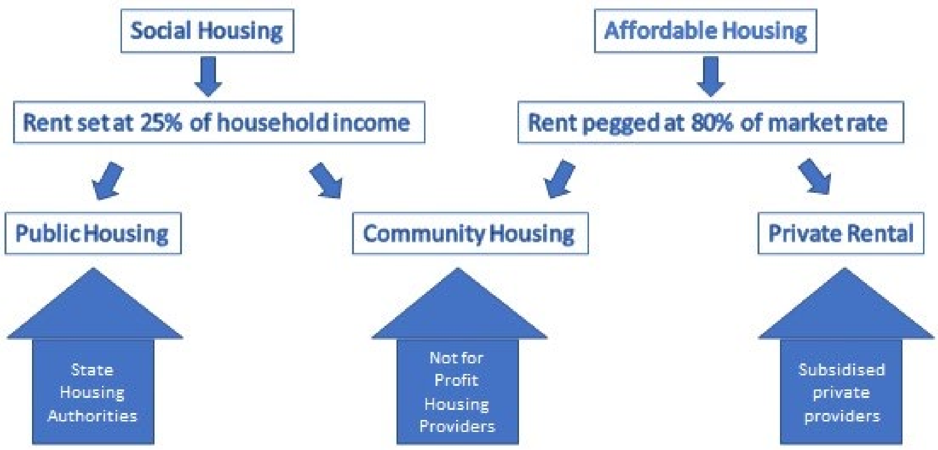
Menzies, as prime minister a second time (1949-66), presided over a boom in national home ownership during the 1950s and 1960s. This was not an accident. It was the active decision of governments of all stripes – initially the Curtin and Chifley Labor governments followed by Menzies – to make homes affordable for everyday people. After World War Two, Australia was remade into a homeowners' paradise. Home ownership rose by 17 percentage points, from a little over half of the population to over 70%.[6] Between 1945 and 1956, social housing construction also burgeoned to meet the needs of returned soldiers and their families.[7] The Commonwealth, in tandem with the states, took an active role in shaping post-war housing policy and tilted it in favour of working-class and middle Australia. Governments made finance available through building societies and state banks, especially for returned soldiers. Housing was made first-order nation-building business, a trend replicated over the developed world.[8]

What is the difference between social and affordable housing?

Social housing is either provided by state governments through housing authorities (public) or by not for profit (community) housing providers at subsidised rates, typically at 25% of a person or household's income, for people in receipt of government benefits. Then there is "affordable housing" where rent is set at a discount to the prevailing market rate (usually 75-80% but below 80% to qualify as charitable). This is generally provided by community housing associations and renters are generally low-income workers, though they can also be in receipt of benefits.

Home ownership was never "universal" in Australia, writes Peter Mares in his definitive 2018 study, *No Place Like Home*, but "it was the norm".[9] He points to longitudinal data of young adults in the decades after the war which finds that, by 1989, 90% had become homeowners. It is richly ironic that three quarters of a century since Menzies formed the modern Liberal Party his predecessors have, in just a quarter of a century, presided over the near destruction of the 'Australian Dream', particularly for late Generation X and Millennials (those born between 1976 and 1990). The latter, often described as Generation Rent in Australia and globally, are at the coalface of inter-generational inequality.[10] This generation is better educated than previous ones, yet worse off economically than their parents at the same age and struggle to break into the property market because of biased government spending and asset prices rising faster than incomes. According to a recent report, *Mind the Gap: The Australian Actuaries Intergenerational Equity Index*, this has driven inequality between generations to a twenty-year high.[11]

Figure 1. Social versus affordable housing. Image courtesy of Peter Mares.



Working hard and saving hard is no longer any guarantee of buying a home. Home ownership in Australia is at its lowest ebb in more than fifty years, when Menzies retired. This is despite the fact that the major focus of housing policy in recent decades, under state and federal governments of all political stripes, has been boosting home ownership, through demand incentives such as first home buyer grants and stamp duty discounts. As the economist Saul Eslake says: "It's hard to think of any government policy that has been pursued for so long, in the face of such incontrovertible evidence that it doesn't work, than the policy of giving cash to first home buyers in the belief that doing so will promote home ownership."[12] The only age group that has experienced a rise in homeownership in the past thirty years are the over-65s, and within that demographic only those in the top quintile of income distribution.[13] By 2040, it is predicted that only half of Australians aged 25 to 55 will own their home.[14] This trend has, in large part, been driven by favourable tax settings stimulating high-levels of speculative investment.[15] Following the 2019 federal election, reforms to housing affordability, such as moderating house price inflation and fixing tax distortions are off the agenda – problems addressed by ALP policies to restrict negative gearing to newly built properties and halve the capital gains taxation discount for newly purchased rental homes. COVID-19 is predicted to exacerbate the cost of these housing tax distortions, hitting the budget by $13 billion per annum.[16] By contrast, $1.56 billion is spent by the Commonwealth on the National Housing and Homelessness Agreement (NHHA), its primary means of funding of social housing.[17]

Housing tax distortions exacerbate long-run workplace trends which have gathered pace since the Global Financial Crisis. Rising insecure work and fewer full-time jobs are preventing Australians from getting a loan from the bank. Prolonged flat wages growth and penalty rate cuts stop people from saving up for a loan to purchase a property or even then pay mortgages. Conversely, precarious work and shrinking pay-packets are a double whammy for renters. On one hand, making it harder to cover rental payments and, on the other, rental stress prevents people saving to put the deposit aside to buy a home. All this contributes to housing stress, creating an un-virtuous cycle, a situation compounded by poor economic stewardship.

Anaemic economic growth, low wages, and insecure work are contributing to housing inequity. After seven years of Coalition federal government, and 28 years of continuous growth, the economy is in poor shape. Pre-COVID headline figures painted a worrying picture: weak GDP growth, stalled wages, rising unemployment, high rates of underemployment and underutilisation (the latter figure is the sum of the former data sets, and these numbers are of more concern in regional and outer suburban Australia),[18] along with declining business investment and productivity, below-average consumer confidence, and record household debt.[19] These trends consolidated well before the cumulative impact of the recent bushfire season and coronavirus pandemic. Consider February's ABS jobs and wages data. The unemployment rate numbered 5.3%, or 725,900 Australians left without a job. Underemployment sat at 8.6% and underutilisation a scandalous 13.9%. Wages growth flatlined in the December 2019 quarter, expanding by just 0.5%, the same result as the September quarter.[20] The first quarter of 2020 (January to March) merely underlined Australia's economic deterioration. The national accounts showed the economy contracted by 0.3% in seasonally adjusted terms and wages growth fell to just 0.4 per cent, all but confirming that Australia's economy was entering its first recession in nearly three decades, which became official in August.[21] March brought further rises in all three sets of unemployment data.[22] The latest ABS national wages data shows that over the past 12 months, our pay packets grew at the slowest pace since records began in 1997.[23] It is seven years since private sector wages grew by more than 3% in a year; and few expect growth any time soon.[24] COVID-19 has accelerated these trends, something explored in section three.

On the back of these long-run trends, and as home ownership grows out of reach of working and middle Australia, we are becoming a nation of renters. As of August 2020, there are 2.6 million households, and 8 million people, or 30% of the population, renting in one form or another in Australia, and 26% (2.1 million households) are renting from private landlords.[25] The number of low-income private renters (those in the lowest 40% of incomes) has doubled in number over the past two decades to 2.65 million people and as a cohort most spend more than 30% of their incomes on rent, what is considered to be living in 'rental stress'.[26] This phenomenon is detailed in the next section. Suffice to say, more and more Australians are experiencing high levels of 'housing stress' and, specifically, 'rental stress'. The widespread understanding of housing stress is that it occurs when households in the bottom two income quintiles spend more than 30% of their disposable income on housing payments.[27] There has been a doubling of the number of young people living in housing stress.[28] Caution is required – there is no one explanation of housing stress. Economic insecurity is a major factor. Too many Australians want for more secure work and more secure incomes. Other factors contributing to housing stress include inadequate supply of affordable housing and build-to-rent, light touch regulation of the private rental market, while demand-side factors include renters seeking access to jobs as well as being close to care and amenities. Aside from the economic and emotional strain on individuals and families, notably low-to-moderate-income demographic groups,[29] housing stress is a risk to the economy, hitting disposable incomes, and weakening productivity and growth. COVID-19 has accelerated these worrying trends, threatening Australia's ability to mount a sustained, effective economic recovery as we exit a pandemic-induced recession.

Structural power imbalances between renters and landlords are a historical feature of renting in Australia. As renting becomes more prevalent, our laws have not kept pace. Australia has a patchwork raft of state and territory laws covering the rights and responsibilities of renters, allowing for globally unique insecure tenure.[30] Tenants have fewer rights than virtually every other country in the OECD and, in view of tenancy and grounds for eviction, are among the weakest in the Western world.[31] Insecurity of tenure, sudden rent increases and excessive bonds rank among the common complaints. Australia is one of only four developed countries which permit no-grounds evictions. COVID-19 has shone a spotlight on systematic failings of the rental market, something explored in detail in section three of this report. Granted, progress on rental affordability and renter security has been made in several jurisdictions – notably the 2018 reforms of the Victorian Labor government.[32] Yet there is a need for more and faster change and that requires a broader conversation around how we deal with the structural shift to higher and more permanent numbers of renters, considering social, economic, and community costs.

Housing insecurity and affordability should be bipartisan policy terrain. Menzies would be appalled by long-run housing trends and conservative policy inertia in which modern Liberals have abandoned their family values in pursuit of the asset speculator class. This is to say nothing of the scourge of homelessness blighting a wealthy society such as Australia, a problem extending beyond the cliché of rough, street sleepers huddled in doorways, or seemingly intractable, nation-wide challenge of overly lengthy public housing waiting lists. COVID-19 has further exposed a systemic crisis of homelessness in Australia, but also stimulated some efforts to break the cycle of insecurity. For example, state governments, including the Victorian Labor Government have put homeless Australians up in hotels during the pandemic – and have funded extra long-term housing solutions. At the peak of governments' hotel response 7,000 people were being accommodated nationally.[33] COVID-19 shows us that where there is a will there is a way to combat deep-seated inequality and stress in our national housing system.[34]

The same goes for social security payments underpinning affordable and public housing. The government's JobKeeper and JobSeeker measures, according to new ¬research by the Australian National University's Centre for Social Research have virtually eliminated poverty. Without these interventions, COVID-19 would have thrown 2.2 million Australians into poverty, lifting the number from 1.6 million before the crisis to 3.8 million — or about 15% of the population – and created housing stress not seen in modern Australia.[35] Modelling of the commonwealth government's planned reduction of JobSeeker $550-a-fortnight coronavirus supplement at the end of September – before its full removal after Christmas – suggests such a move will harm Australia's economic recovery and decrease both GDP and employment across Australia, reducing the size of the economy by $31.3bn and cost the equivalent of 145,000 full-time jobs over two years, hitting hardest in already-disadvantaged remote and regional communities, as well as Victoria. The full removal would coincide with the number of Australians receiving the supplement peaking in December at 2.34 million when unemployment is forecast to reach 10%, shattering household consumption, and likely exacerbating housing and rental stress.[36] Similarly, The McKell Institute estimated cuts to JobKeeper wage subsidies will take $9.9bn out of the economy by Christmas, with a $1.52bn reduction in fortnightly support from late September. 1.05 million part-time workers will have their $1,500 fortnightly payment slashed to $750, collectively losing a total of $787m a fortnight. 2.4m full-time workers will see the payment cut to $1,200. This will have a devastating on Australians struggling to pay their rents.[37]

Secure, affordable housing is a basic human right. It was once woven into the fabric of the Australian way of life and can be so again. This report rejects any notion that renting is a 'worst option'. However, if Australia could return to levels of home ownership exceeding 70%, our society would clearly be a fairer and more equitable one.[38] An Australian Housing and Urban Research Institute (AHURI) report from August 2019 demonstrates that while long-held values around the ideal of home ownership in Australia remain strong, these are not as persistent as for past generations. Nonetheless, having somewhere safe and secure to call home was the top priority across all young adults surveyed by the report's authors.[39] The policy imperative must be to alleviate unaffordability and insecurity. *Rental Nation* makes an unapologetic call for increasing Australian housing security and affordability. For our economy's sake, and our social cohesion, Australia's future depends on it solving our national housing crisis. This task predated the COVID-19 pandemic. Fixing housing has been made more urgent and more difficult.

Improved housing security is a national and nation-building project. Drawing upon policy trends and comparative regulatory frameworks, this report outlines practical recommendations to ensure Australia remains a country where renting privately remains a dignified, secure, and just form of housing, and home ownership remains viable. *Rental Nation: A Plan for Secure Housing in Australia* proposes government action on housing stress whilst urging the removal of systemic inefficiencies across the national private rental market. Key to this challenge is the design of long-term national solutions and consistent policy formulation. As the example of varying forms of first home buyers' grant schemes clearly demonstrates, temporary solutions tend to become permanent. *Rental Nation*, by contrast, seeks to improve national housing security and provide a holistic set of long-term solutions to providing better quality of life for the growing number of working Australians renting, in the interests of our economy and our nation-at-large.

Generation Rent

Until the mid-1990s, Australia boasted a reputation as a well-housed country, notwithstanding qualifications over the enduring concentration of poverty among lower income private renters and those missing out on the benefits of tenure security and wealth creation delivered through homeownership.

In 'The Comeback of National Housing Policy in Australia', scholars Vivienne Milligan and Simon Pinnegar trace three key periods in housing since World War Two.[1]

In the first period, post-war government policies supported both social housing construction and private housing development buttressed by Keynesian economics and an "influential working class to create a unique wage earner's welfare state" centred on mass homeownership. In the second, from the mid-1970s, national housing policy was placed on the "backburner" as free market ideology acted to reduce government's direct role in housing outcomes to providing a safety net. Nonetheless, in these decades, Australia sustained a high level of homeownership (around 70% of households), consistently rating in the top cohort of developed countries.

By the mid-1990s, housing-related poverty was clearly more concentrated in the private rental market. In 1996, private renters made up 36% of all households in poverty after meeting their housing costs, up from 30% a decade earlier. In this third period, governments came to favour the policy of paying additional rent assistance over constructing more social housing. As a result, Australia's direct budget outlays for housing became dominated by demand-side assistance. A significant turning point was 1996, when the incoming Coalition government largely deserted housing as a policy issue. Modest but innovative housing programs introduced by the Hawke-Keating Labor governments in the early 1990s were abolished; the housing department was reduced to a branch within a vast social security ministry; there was no dedicated national minister for housing; national monitoring of supply and demand conditions in the housing market was abandoned; and social housing funding was cut, thereby severely curtailing additional supply. The structural shift away by governments from investing in social housing puts pressure on the private rental market as private renters with more money and poor people who would have previously been able to get into public housing are competing for the same private rentals.

A growing shortage of lower priced private rental housing – the deficit rose from 150,000 dwellings in 1996 to 251,000 dwellings in 2006 – exacerbated the sizeable social housing shortfall. While current affordability problems have a long genesis, these clearly worsened in the 2000s. Until 2008, neither national nor state governments moved to arrest this long-term decline in access to rental housing for low income households. The Rudd government's national housing policy achieved important gains after 2008, however the Abbott Liberal National government jettisoned these reforms upon coming to office in 2013. As a result, Australia is bereft of a dedicated, sector-wide national approach to housing security and affordability.

Since the 2000s, eight key themes have framed the focus of our housing debate:

- ✓ First home buyer affordability and inter-generational inequity.
- ✓ Fairness and taxation distortions (capital gains tax and negative gearing).
- ✓ Low inflation and low interest rates increasing household debt and price inflation.
- ✓ Supply-side issues (for example, land availability to build new dwellings).

- ✓ Population growth, environment, transport, and infrastructure considerations.
- ✓ The relationship between work and employment growth to place of residence.
- ✓ The availability and quality of social and affordable housing.
- ✓ Different versions of homelessness, from sleeping rough to couch surfing.

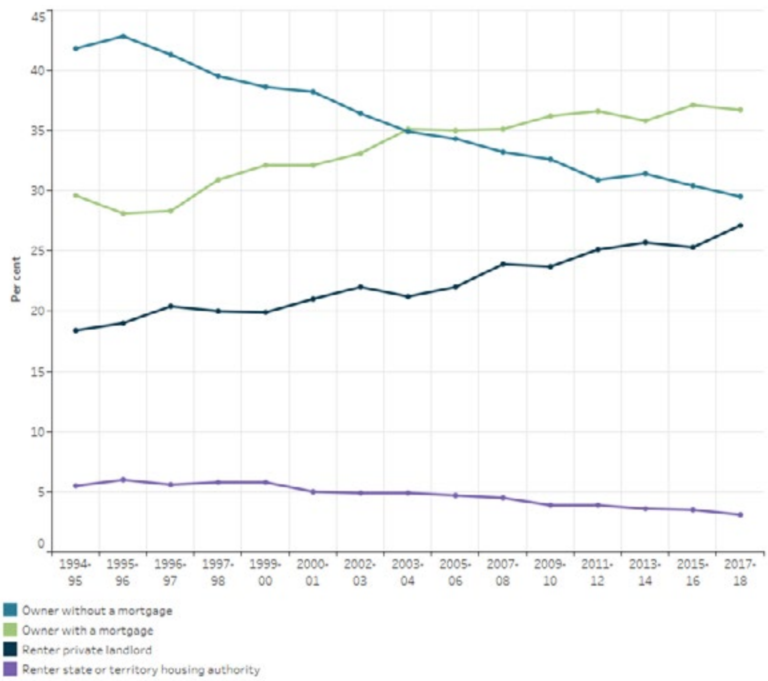
However, there is a growing debate over Australia's private rental market, one which overlaps with the themes raised above and below. We can summarise six broad, interrelated trends.

The Great Australian Betrayal

Until relatively recently the average Australian family could expect to buy a home on one wage, with prices three times the median household income. Australia was one of the world's great home ownership societies for working people. As Zelinsky writes: "They worked hard, played by the rules, and got ahead or got by. That was the deal – the Australian way. It was a compact between generations and between we the people and our elected representatives ... As a result of government policy, the dream of entering Australia's property market has become a nightmare ... [this] threatens to rewrite our compact and transform our egalitarian national identity."[2]

Since the early 2000s owning a home has become a less achievable aspiration for millions of working Australians, particularly younger citizens.[3] As of the 2016 Census, home ownership in Australia fell to 67% of households, a steady decline from 68.1% of all Australian households in 2006 and more than 70% two decades ago.[4] This means hundreds of thousands fewer Australians now own a home than would have if percentages stayed constant. Successive governments have chosen this path. Further, the proportion of owner-occupied dwellings is at its lowest point since 1954. While this contraction is less than equivalent falls in home ownership in the US, UK and New Zealand over the same period, and the proportion of people who rent remains higher in developed countries such as France, Austria, Denmark and Germany, the particularities of Australia's decline are of major concern.[5] Younger workers have been completely priced out of our major cities. Between 1981

Figure 2. Proportion of households by housing tenure type, 1994-95 to 2017-18. Source: www.aihw.gov.au.



and 2016, home ownership rates among 25 to 34-year-olds fell from more than 60% to 45%.[6] The home ownership rate of 30–34-year-olds was 64% in 1971, decreasing 14 percentage points to 50% in 2016, according to Census data. For Australians aged 25–29, the decrease was similar: 50% in 1971, decreasing to 37% in 2016. Precipitous falls in home ownership rates for young adults and long-term declines in home ownership affordability rank among the most severe in the OECD.[7] Home ownership rates are naturally higher for older generations as they have more time to save a deposit. Yet there is a widening wealth gap between generations, as asset prices rise faster than wages and record-low interest rates have boosted house prices while making it harder for young people to accumulate savings in the context of wage stagnation, insecure work and rising underemployment.[8]

Home ownership rates have decreased among people nearing retirement. Since 1996, home ownership rates for the 50–54 age group have seen a 6.6 percentage point fall over the two decades to 2016 (80% to 74%).[9] Grattan Institute modelling predicts that the share of over 65s who own their home will plummet from 76% today to 57% by 2056, and it's likely that less than half of low-income retirees will own homes in future.[10] More concerning is the decline in outright ownership, involving no mortgage debt, from 32.1% to 31.0% between 2011 and 2016.[11] This will lead to poorer, more insecure retirements and a higher base costs of living.

First home buyer numbers remain well below pre-GFC levels and the rate of young adult home ownership is yet likely to fall further.[12] According to a ME Bank report, prior to the impact of COVID-19, interest rate cuts and looser lending saw national housing prices rise more than 5% between July 2019 and January 2020.[13] In Australia's comparatively expensive housing market, putting together a standard 20% deposit is becoming an increasingly difficult proposition.[14] The average time taken to save for a deposit in Sydney is now twelve years (compared to just four years during the 1980s). The average age of the first home buyer in Sydney is 38.[15] The number of Australians taking out home loan mortgages has been falling or is flat in every state and territory for some time. Record low interest rates have not made buying a first property easier. Among those Australians fortunate enough to purchase homes, the increase in household debt to income ratios is weighing on consumption and increasing financial insecurity.[16]

Housing unaffordability is a long run problem, driven by speculative investment via well-publicised tax distortions, high capital inflows from foreign investment, and record levels of migration clustered in capital cities, a trend which has its roots in the Howard government years, and supply issues such as land availability. Real home prices across Australia have climbed 150% since 2000, while real wages have climbed by less than a third.[17] In 1985, the average Australian home price was between two and three times the average salary and, by 1990, stood at four times the average salary, before accelerating amid a so-called 'housing bubble'. Today, average, home values are worth seven times the average annual salary. Twenty years ago, it took three times the median salary to buy a house in Sydney. Now it takes nine times, and in Melbourne the figure is eight times, a higher ratio than London or New York markets. Sydney is now the second most unaffordable city in the world. Australia's other major cities – Melbourne, Perth, Adelaide, and Brisbane – also reside in the global top twenty cities in terms of unaffordable housing.[18]

In 2020, Australian house prices outperformed wages over the past financial year, pushing home ownership further out of reach of more Australians, despite falling dwelling prices. Nationally, house prices rose 6.6% over the year while wages rose 1.7%, meaning housing outperformed by 4.9 percentage points. Wages data only measures hourly earnings and does not take into account widespread cuts to working hours made during the current COVID-19 crisis, JobKeeper payments and job losses, and is biased towards the public sector, suggesting the outlook for many home-buying hopefuls could be worse. Recent house price falls will primarily benefit higher-income first-home buyers who both kept their jobs and received a pay rise.[19]

Much of this is demand-driven price inflation, rather than the supply of enough homes. As a University of Sydney Institute for Innovation and Public Purpose Working Paper puts it: "Australians have been increasingly buying housing for the purpose of securing financial returns — both capital gains and rental income, in a process often described as the financialisaton of housing, but one that we think can be more accurately thought of as "rentierization" ... the increasing use of housing to extract land rents, in the form of capital gains on property and rents from tenants – a process in which Australia is well advanced." As the study further notes:

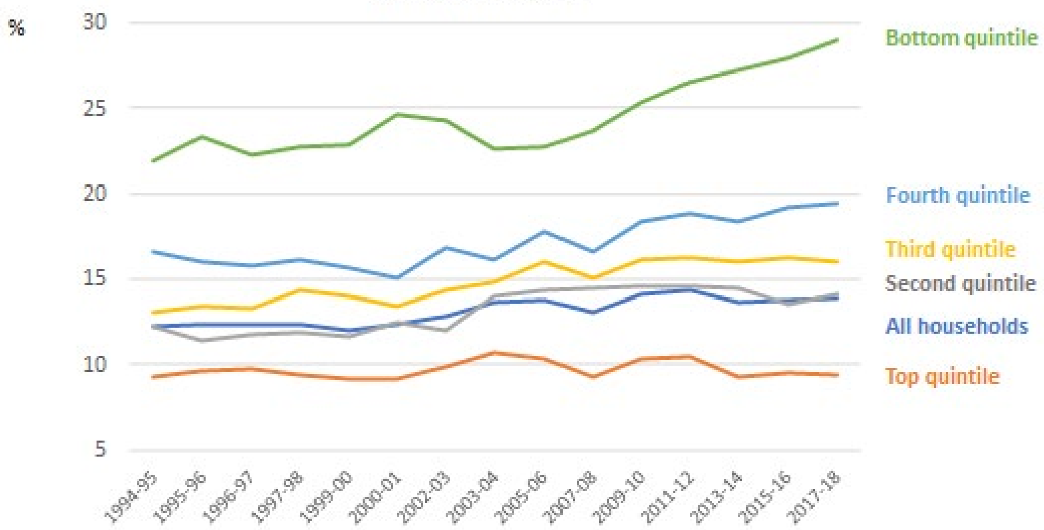
> Real home prices have soared 215% since 1980 and have shown few signs of reversion to long-term trends, despite corrections in 2009-10 and 2017-2019. The rise in home prices has been driven by rising land values rather than construction costs, which have grown at a rate closer to general price inflation ... Capital gains have become so high as to rival and at times dominate wages as a source of household income. In 16 of the 29 quarters leading up to June 2019, the median Sydney home earned more than the median full-time worker earned from wages.[20]

Put simply, landlords are making more money from rents alone than ordinary Australians working hard to pay rent. Furthermore, the Grattan Institute has shown that the vast majority of mortgage lending is for the purchase of existing, rather than new, homes, pushing up prices for all aspirant buyers. The investor share of new mortgage lending is up from 10% in the early 1990s to 40%, as a direct result of discounts on capital gains tax and negative gearing.[21]

Surging income and wealth inequality was occurring well before the onset of COVID-19. UNSW Social Policy Research Centre and Australian Council of Social Service analysis released this month shows that the top 20% of households in 2017-18 have six times the disposable income of the bottom 20%, but in 2015-16, the ratio was five times. Over the past two financial years, real disposable wages growth has been close to flat or worse, while investment income – mainly property – was surging ahead. This has led to the wealthiest 20% of Australians holding 64% of all household wealth, more than all other households combined. From 2003 to 2017, the average wealth of the highest 20% grew by 68% compared with 6% for the lowest 20% of Australians. This divergence has been driven by the asset types held by the top 20% – investment property, superannuation, and shares. According to analysis conducted by the UNSW Social Policy Research Centre and Australian Council of Social Service, 80% of financial assets like shares and property investment are held by the highest 20% of wealth-holders in Australia.[22]

Australia's housing system is driving inequality, rather than just being a symptom of it. Young people who are able to get entry into the housing market as first-time buyers often have a leg up from parents, perpetuating inequality across generations and existing property wealth has created an asset against which owners can borrow to buy more. While most investors only own one property, there has been rapid growth investors with more than one property (and private renters are just as likely to be renting from someone who owns more than one property as from a single property owner). In 2003-4 the average property value of the top quintile of Australian households (by wealth) was worth 1.32 times as much as the average property value of the other 80% of households. By 2017-18 the multiple was almost 1.6 times.[23] Income inequality and, as a result, wealth inequality in Australia becomes even greater when we compare household incomes after accounting for housing costs such as paying rent (Figure 3). This is because housing costs as a proportion of income for richer households have been relatively stable (due to low interest rates) while housing costs as a proportion of income for low income households have risen sharply (because rents have climbed faster than wages and social security benefits).

Figure 3. Housing Costs as a Proportion of Gross Household Income, 1994-95 to 2017-18
Source: Australian Bureau of Statistics, 2016 Census



Housing inequality means Australian pensioners who rent their homes have some of the highest poverty rates in the OECD.[24] Indeed, the widely used Association of Superannuation Funds (ASFA) Retirement Standard benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation and provides detailed budgets of what singles and couples would need to spend to support their chosen lifestyle. It suggests that owning one's home in retirement is the single most significant factor in determining either modest or a comfortable standard of living.[25]

Left unresolved, this will have damaging long-term effects, aside from pushing people into long-term renting and stressing the social housing sector. Australia's retirement incomes system was constructed on the 'three pillars' model. Along with the voluntary savings (superannuation) and the pension, policy settings assume that most retirees own their home *outright* and thus have minimal housing costs in retirement.[26] Recent evidence undermines this model. AHURI research shows that the proportion of homeowners aged 55 to 64 years still owing money on their mortgages has more than tripled since the design of our compulsory superannuation system: from 14% in 1990 to 47% in 2015.[27] According to recent ABS Survey of Income and Housing data, home-ownership rates among Australians aged 55-64 years dropped from 86% to 81% between 2001 and 2016, and older Australians are also shouldering high levels of mortgage debt in later life. For the 55-64 age group, in 2001 roughly 80% were mortgage-free, but fifteen years on this had plummeted to only 56%. Indebtedness is even growing among homeowners aged 65 and over. In 2001, nearly 96% of this cohort were mortgage-free. By 2016, however, of that cohort the proportion fell to below 90%. The number of outright owners aged 55-64 is expected to fall by 42%, from more than 1.2 million to 708,000. Conversely, the numbers of older mortgagors and older Australians living in the private rental sector is projected to soar.[28]

All this will have a significant impact on cost of living in retirement and will grow as successive generations of Australians take longer to enter the property market and will need to live with higher levels of housing debt later in life than previous generations. In turn these trends will also place added burden on public and community housing, as well as expanding the numbers eligible for Commonwealth Rent Assistance, placing additional strain on the federal budget. AHURI research suggests that due to tenure and demographic change, the demand for CRA will rise by 60%, from 414,000 in 2016 to 664,000 in 2031. This is going to push up commonwealth spending on CRA, which already runs at $4.6 billion, up from $2.9 billion a decade earlier.[29]

Granted, COVID-19 has seen house prices edge down off enormous gains. National prices have fallen just over 2% in the three months to July; Melbourne is down 3.6% and Sydney 2.2%.[30] House prices are likely to remain stagnant given the labour market and immigration inflows approaching zero, trends which erode demand and lower prices. Yet, with wages growth stagnant for over a decade and unemployment rising, this is no magic cure for affordability. With well over a million Australians unemployed as of August 2020, many more underemployed or underutilised, and wages growth at record lows, homeowners find themselves in a most precarious position. For first home buyers able to purchase a property, the ratio of household debt to income has more than doubled since 1995, representing one of the world's highest rates of debt to household disposable income,[31] and close to the highest in the OECD.[32]

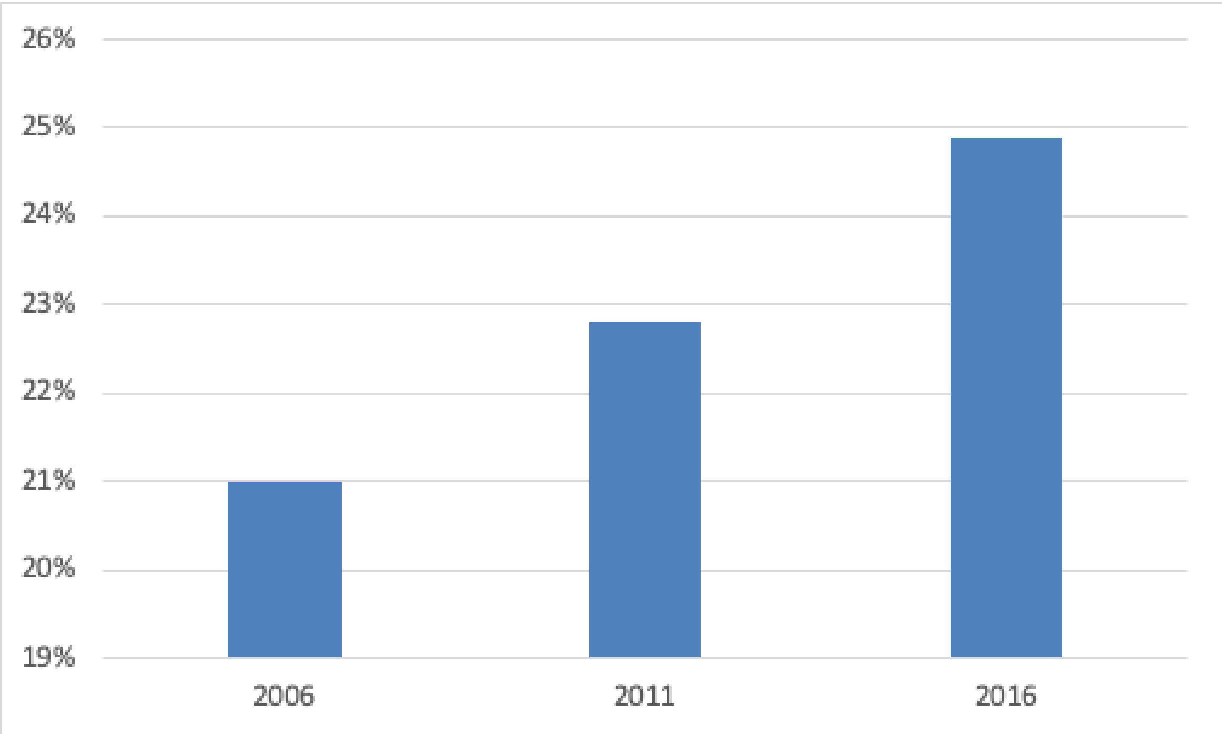
'Mortgage stress' – when low income households are expending more than 30% of income on loan repayments – is on the rise in Australia. At the outset of 2020, one survey showed that about one in five mortgage borrowers in Australia, or about two million households, were experiencing mortgage stress, despite record low interest rates, and 5% were spending more than 50%.[33] Another conducted by Digital Finance Analytics to December 2019 found the number of households in mortgage stress – defined as when household cashflows are negative – rose to 32.7% of all borrowing households, or 1.1 million households, with more than 83,000 households predicted to be in default.[34] More sanguine Roy Morgan research, published prior to March shutdowns, showed that mortgage stress had fallen over the previous twelve months, nonetheless 12.6% (559,000) of households were described as 'Extremely at Risk'.[35] As AHURI research shows mortgage stress has the potential to cause and accentuate inequality, and is clearly detrimental to people's mental health, relationships, and notions of social cohesion.[36]

Homeowners who took on large debt prior to COVID are ill-equipped to ride out the recession. During COVID-19, mortgage stress has been alleviated by 'mortgage holidays' offered to borrowers by banks, and the government's JobKeeper wage subsidy and increased JobSeeker payments. The Australian Prudential Regulation Authority says 11% of housing loans, valued at $192bn, have been given repayment deferrals as part of the banking sector's measures to assist homeowners. This has eased forced selling by owner-occupiers and investors because they cannot meet repayments, and forced sales are unlikely to match the early 1990s recession.[37] However, these support mechanisms will not last forever. As Australia negotiates the economic fallout of COVID-19, the true extent of home ownership and inequality will become clearer.

The Forgotten Renters

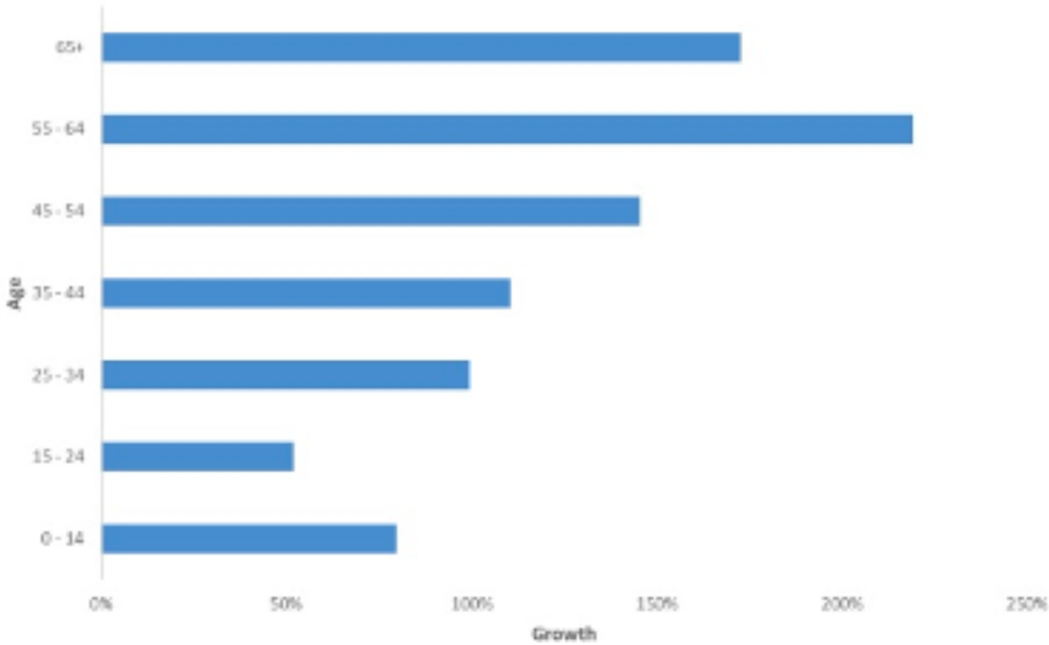
As a by-product of falling home ownership rates, and on the back of high rates of investment in private rental, Australia is rapidly becoming a nation of renters. Australia has approximately 11 million dwellings, with a market value in excess of $7.0 trillion. One third of Australia's residential stock is rented, with a market value of around $2.0 trillion. The private rental market has been encouraged by tax policy and resulted in a highly fractured rental market characterised by short term leases and no security of tenure.[38] Reduced home ownership means more private renters; more private renters and less social housing means more housing stress and homelessness. Both poorer and wealthier renters are impacted by the lack of home ownership affordability and rental market affordability. The proportion of all Australian households living in private rental housing has increased markedly. As of August 2020, there are 2.6 million households and 8 million overall, or 31% of the population, renting in one form or another, and 26% (2.1 million households) were renting privately either from real estate agents or private landlords.[39] The Australian Bureau of Statistics 2016 national census tracks the private rental sector increase, from 21.0% in 2006, to 22.8% in 2011, 24.9% in 2016. By way of further contrast, just one in five households privately rented in 1997-98 (Figure 4).[40] This trend is replicated elsewhere. As *The Economist* recently pointed out, in Britain, in the mid-1990s around one in 20 families with children lived in the Private Rental Sector (PRS). Now more than one in five do. More than half of all private renters are now over 35. A form of tenure once confined to urban centres and university cities has spread to the UK's suburbs and small towns.[41]

Figure 4. Proportion of households renting privately, 2006 to 2016
Source: Australian Bureau of Statistics 2016 Census



People are renting for longer, often permanently with decreasing prospects of becoming property-owners.[42] As many Australians now rent as those who own property outright.[43] In areas of Sydney and Melbourne, more than half of all households rent.[44] For Indigenous Australians the trend is even more marked. Census 2016 data shows that among households with at least one Aboriginal and/or Torres Strait Islander resident, 12.2% are outright owners, 25.9% are purchaser owners, 32.4% are renting privately.[45] There are severe equity implications resulting from a permanent shift in the ratio of renters to homeowners, including intergenerational considerations.[46] The transition from renting to home ownership is becoming less common, particularly among younger Australians. The proportion of households in the private rental market, by age, details this trend. Those aged under 35 years increased from 46.9% in 2006 to 53.5% in 2016, while those aged 35-54 years jumped from 20.7 to 27% over the same period. By contrast the cohort aged 55 years and over increased but from 8.9% to 11.2%.[47]

Figure 5. Growth of number of people living in private rental by age group, 1996 to 2016
Source: ABS Census 2016



Granted, changing household demographics – over recent decades, the average household size has decreased and the number of single-people and single-parent households has increased – have influenced home ownership trends and a move from home ownership to renting privately, as well as shifting dwelling preferences.[48] In 2016, for example, 16% of single-parent households with dependent children rented privately, an increase from 6.3% in 1981. Moreover, population growth has driven demand for private rentals. 84% of Australia's population increase in 2018–19 occurred in Brisbane, Melbourne, and Sydney, increasing demand and prices. Pre-COVID, international students greatly shaped the private rental market, especially in our cities.[49]

Long-term private renting in Australia – defined as rental tenancy of ten years or more – has doubled since the 1990s.[50] The 2016 census revealed that around one-third of private tenants nationally are 'long-term' renters; that is, they have rented continuously for over ten years. Between 2013 and 2016, an average of 7.6% of renters between the ages of 18 to 24 became owners each year, compared with 13.5% between 2001 and 2004.[51]

If these trends deepen this may translate over time into a more costly social problem, as increasingly more households require some form of government housing assistance, while working and also in retirement.[52]

Housing has become stressed for too many Australians and our nation is generationally divided on the basis of housing wealth and opportunity. In particular, the deteriorating position of Millennials coined the label 'Generation Rent'. Despite this cohort's proportion of university degree holders and knowledge economy jobs, 'Generation Rent' is approaching middle-age – the oldest millennials turn forty next year – and a growing number will not become homeowners. Time is running out for 'Generation Rent' to pay off mortgages before retirement.[53]

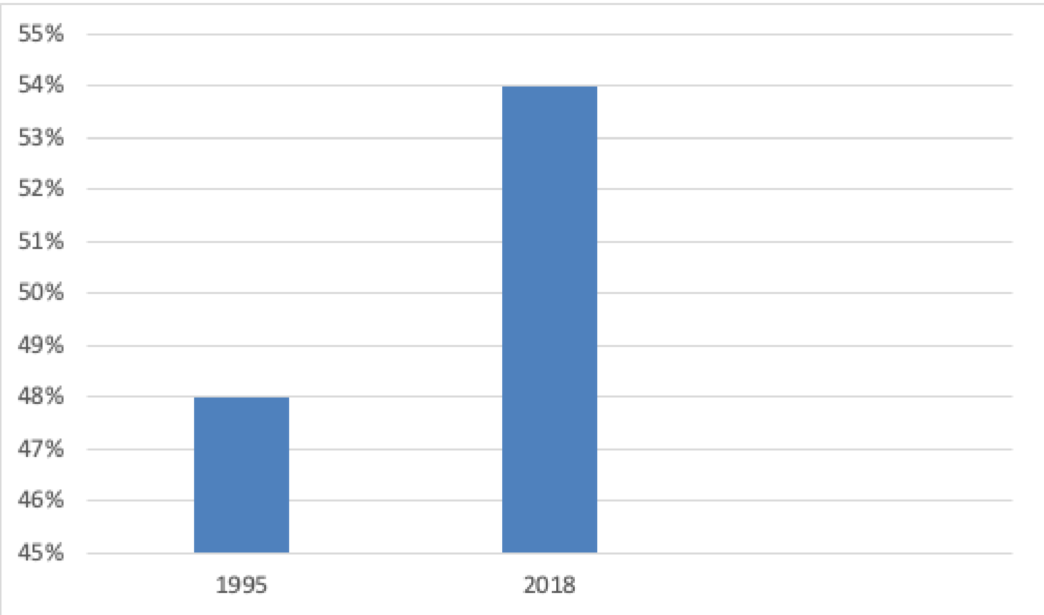
Rental Stress

The growth of the private rental sector primarily reflects the high cost of home ownership. This structural shift, however, means that more households are exposed to a relative lack of housing security, lack of control over rental increases and thus subject to growing levels of 'rental stress', in the context of growing inequality and economic insecurity we've previously discussed.

What do we mean by 'rental stress'? There are several definitions, however according to the Rental Affordability Index (RAI) a person or household is at critical level of rental stress when 30% or more of their disposable income goes towards paying regular rent. Specifically, it relates to the bottom 40% of households by income: "It is generally accepted that if housing costs exceed 30 per cent of a low income household's (households with the lowest 40 per cent of income) gross income, then that household is experiencing housing stress (30/40 rule)."[54] In the short term, rental stress puts pressure on people's ability to pay for essentials living costs, like food, heating, transport, health care and education. In the long term, rental stress can damage people's physical and mental health, stunt educational attainment, limit job opportunities, and lower workforce productivity, these effects flowing through to the wider economy.[55]

Before COVID-19, over half of low-income households renting privately were in rental stress. As the Productivity Commission's *Vulnerable Renters* report reveals, low-income renters stuck in rental stress, often for years, has increased from 48% of low-income renters in 1995 to 54% in 2018, or around 1.5 million people pushed into poverty by high housing costs.[56] The clear long-term trends are towards private rental unaffordability and rental stress, something driven by low wages growth and economic insecurity. Despite rents as a proportion of gross household income declining since 2012,[57] and ABS data showing rents were rising at their slowest annual pace since 1973 (0.2% over 2019), a trend exacerbated by COVID-19, pressure to pay rents is increasing in relative terms.[58] Indeed, housing costs as a proportion of income have risen dramatically for the lowest income groups. Rents have a long way to fall before being considered affordable. According to 2019 data released by the Tenants' Union of NSW, median rents in Sydney are $156 higher than they would have been had rent tracked inflation since 1997, and $107 higher than if rents increased in line with wages. Even then, lower-income households are least likely to benefit from COVID-19 falls in median rents. They have fewer opportunities to "trade down" into cheaper homes away from jobs and transport.[59] Research shows that even then rising levels of rental stress, particularly for young people, is occurring on the fringes of our cities.[60]

Figure 6. Percentage of low-income renters living in rental stress, 1995 and 2018
Source: Productivity Commission



Demography is destiny. Recent housing market data indicates that Australian cities are increasingly ranked as 'extremely unaffordable' for low income earners, pushing them into rental properties in the outer suburbs, greenfield estates and regions, and potentially away from employment hubs and access to infrastructure and amenities. Inner-city Sydney, in particular, is hallmarked by the prevalence of "extremely unaffordable" rentals, ranging between an astounding 60 to 80% of gross income expended on rent. In Melbourne, where population growth is most pronounced, rents are increasing in both its inner and middle suburbs. The price rise in middle suburbs is outstripping the inner city, which has, over the last ten years, been the most expensive place to rent in Melbourne. Wealthier renters are moving to the middle suburbs, having been priced out of the inner city, in turn pushing out lower-income Australians. Nine Media's Domain Rental Report finds most of the top ten suburbs for big rent rises in 2019 were at least seven kilometres from the city, climbing to 20% in the city's middle suburbs.[62]

Rental stress is also a worrying trend in Australia's regions, which do not have the same economic opportunities for people that the major cities do. The lack of housing and the lack of decent employment opportunities has led to some regional centres exhibiting extreme rental stress. Recently the *Australian Financial Review* reported that 76% of renters in the Victorian central region of Ballarat risk being unable to make their next rental repayment.[63]

Unaffordability is breeding rental stress. Low income earners are being squeezed by a shortage of social housing and middle to high income earners cannot afford to buy houses in turn driving up rental prices. In September 2019, well before COVID-19 struck, Productivity Commission (PC) research estimated that 600,000 Australian households were experiencing rental stress. Over 30% and in many cases over 50% of low-income renters' paychecks are going to rent or mortgage payments. The report notes how "sticky" rental stress has become for many people on low incomes. Almost 50% of those considered in rental stress in 2013 were still in rental stress four years later.[64] AHURI research published in late 2017 suggests that 800,000 Australian households engaged in the private rental market require some form of income support to avoid living in rental stress, the greatest need being in New South Wales, Victoria, and Queensland.[65] Rental stress affects all socio-economic groups across all states and major cities. However, 85% of apartment dwellers live in capital cities, giving us a better sense of where rental stress is concentrated, and ABS data shows that they are more likely to be younger and renting.[66]

Rental stress has a greater impact on poor, working-class, and younger and older Australians. More than half of all low-income tenants in the private market spend at least 30% of their disposable income on rent. The proportion of low-income tenants facing unaffordable rents rose by four percentage points in the four years to 2015-16,[67] and the aforementioned PC report has the number of low-income earners in rental stress increasing from 35.4% to 42.5% between 2006 and 2016.[68] A recent ACOSS report suggests renters are twice as likely to live in poverty. The number of low-income households struggling to pay their rent has doubled in the past two decades, with 170,000 Australian homes left with less than $35 a day after paying rent.[69]

Rental stress is straining an unreceptive social security system. 40.5% of low-income people receiving Commonwealth Rent Assistance (CRA) are in rental stress while one in eight spent more than half their income in rental payments.[70] About 75% of all students receiving the youth allowance and rent assistance are experiencing rental stress.[71] Why? The maximum rent assistance payment is indexed in line with the consumer price index, but rents have been growing faster than the consumer price index for many years. Between June 2003 and June 2017, the consumer price index climbed by 41 per cent, while average rents climbed by 64 per cent.[72] Anglicare's recent national affordability 'snapshot' of more than 67,000 private rental dwellings found that fewer than 3% matched the budget of a single person earning the minimum wage. For the unemployed reliant on Newstart (now JobSeeker) prior to the onset of COVID-19, only two properties in all of Australia were rated affordable.[73] This is more concerning when, compared to the age pension, disability support payments, the minimum wage and even average wages growth, JobSeeker has shrunk dramatically in relative terms over the past twenty-five years.[74] Indeed, figures provided to Senate estimates by the Department of Social Services in 2019 showed up to 60% of people receiving Newstart are living in rental stress.[75] Here rental stress is also spurred by supply side factors. A shortage of both public and community housing has seen the number of low-income households experiencing rental stress surge over the past two decades.

While low-income households grew 42% between 1994-95 and 2017-18, the number of low-income households renting privately increased 134% during this period, and the number of households in public housing fell by 6%, according to the Productivity Commission.[76] According to detailed research by the UNSW City Futures Institute, Australia needs to build at least 700,000 more social dwellings, and almost 300,000 additional affordable dwellings over the next twenty years.[77] ABS dwelling projections indicate that over the next decade we will need to build 1.6 million new homes and 500,000 dwellings as rental properties to offset rental stress.[78]

Renters are treated in policy settings as young and/or single. However, the 2016 census reveals that the number of families with children in the apartment living population is rising. Families with children (and either one or two parents) comprised 44% of all families living in apartments. Conversely, the proportion of lone person households living in apartments has declined, from 46% in 2011 to 42% in 2016.[79] Figure 7 shows how rental stress is not confined to singles or couples without dependants. For some families, residing close to the CBD and major employment hubs, preferred schools, and public transport, are important determinants in choosing to rent over purchasing a house, but housing unaffordability is a major factor.

Figure 7. Composition of private rental households, 1996, 2011 and 2016
Source: ABS Census 2016

Household composition	1996		2011		2016	
	Number of households	Per cent	Number of households	Per cent	Number of households	Per cent
Families	112,646	38.90%	168,600	38.70%	231,403	41.28%
Lone person	84,762	29.30%	117,719	27.10%	137,267	24.49%
Couple only	47,944	16.50%	89,452	20.60%	122,683	21.89%
Group household	39,340	13.60%	51,328	11.80%	61,686	11.00%
Visitor only	5,030	1.70%	7,827	1.80%	7,536	1.34%
Total	289,722	100.00%	434,926	100.00%	560,575	100.00%

Rental stress is playing out at the end of the life cycle. Many pensioners and people dependent on welfare or disability payments for their long-term health conditions, and Indigenous Australians, are priced out of the private rental market or subject to severe rental stress, and seek relief through social housing, which provides a much needed safety net, but is subject to fierce competition.[80] All were experiencing high rental stress before COVID-19. There is a correlation between rental stress, wages growth and insecure work, on top of population growth and supply-side factors. Less secure work and low wages growth clearly impacts working people's ability to pay rent. This trend is not accidental, nor virtuous. It is fatuous to explain away the casualisation of the labour market as the result of workers choosing to adopt more 'flexible' job patterns. A 2016 Bankwest Curtin University report investigating the rental market produced a survey of respondents currently in part time employment – fully 50% desired to work more hours.[81]

Renter Insecurity

There is a systemic, nationwide problem around renter security, which has not caught up with the trend away from ownership to long-term renting. A severe power imbalance exists between landlords and tenants, unlike many comparable developed countries, something detailed in the next section. In Australia, tenants typically rely on fixed-term leases with a significant number expiring between six to twelve months: 50% of renters are on a fixed-term one-year lease; 20% are on a month-to-month "rolling" lease.[82] Until recently, in all jurisdictions across Australia, tenancies could be ended without grounds by landlords at the conclusion of a fixed term, which can be as short as six months. For periodic leases – 20% of tenants nationally – landlords outside of Victoria can legally end them without cause. One in five moves are involuntary, as the Productivity Commission demonstrates, often because of landlords selling their properties.[83] The costs of eviction are high for vulnerable households and elderly residents. As the Victorian Council of Social Service notes, many tenants are forced to move more than they would like, away from steady jobs, schools and training, family, and community networks. For example, in 2010, 83% of renters surveyed had moved at least once in the last five years, compared to 23% of homeowners.[84] Stress is exacerbated by notices of eviction as short as 30 days.[85] The lack of renters' rights extends to matters such as minor modifications (painting, putting pictures up and having pets) compared to other nations. This can lead to increased evictions if tenants do not comply and needs to be improved if more Australians are going to be renters for longer.

Lack of renter rights and security of tenure produces 'rental churn'. This churn is bad for renters in terms of the cost and stress of moving residences and disruptive to family life, work patterns, childcare, schooling, proximity to friends, close relatives, and support networks, and established ties to community life, be it sporting groups, religious affiliations, and other civil society associations. Rental churn is also bad for business as it entails higher levels of staff turnover which in turn leads to a loss of corporate knowledge and increases costs associated with training and retraining, and potentially lower productivity. Moving residence also entails a longer work commute, which has been shown to reduce productivity.[86] In Sydney, evidence suggests that some workers are spending up to 16 hours a week, equivalent to two additional working days, travelling to and from their jobs because they can't afford to live closer.[87] Insecurity of tenure can especially harm the employment opportunities of lower-to-middle income earners, young people, and disadvantaged groups, cutting them off from job hubs as well as education and training opportunities. Rental insecurity is a social justice and economic efficiency issue.

Footing the Bill

Then there is the issue of unfair security costs borne by the renter. As it stands, prior to signing a lease agreement, renters are required to pay a security bond, typically equivalent to a minimum of four and up to and exceeding six weeks rent, which is then held in trust by the relevant authority, for instance in Victoria's case, the Residential Tenancies Bond Authority (RTBA). A security deposit gives the landlord a level of monetary protection if the tenant fails to comply with their obligations under their lease agreement. There are different forms of bond loans and rental grants available to tenants who may struggle to pay a bond. It is too often the case that, upon termination of a lease, the return of such bonds can be stymied or held up by landlords or judged at the discretion of real estate agents. Even then, so-called 'end of lease cleaning' eats away at the bond monies. Frequently, cleaning does not involve leaving the property in a reasonable manner but is a substitute for the landlord properly attending to property wear and tear, what economists ironically refer to as 'rent seeking'. Tenants feel compelled to pay end of lease cleaning bills for fear their bonds won't be returned. One 2018 study showed that over 30% of renters do not get their bonds back, which equals up to $2 billion in lost money; 43% of generation Z renters lost their rental bonds, beating (or losing to) generation Y (38%) and generation X (31%).[88]

Regarding the issue of bonds there is also a major issue pertaining to the justice and economic efficiency of monies which do not earn interest for renters. Whether a lease is terminated at six or twelve months, two years or even longer periods, the bond paid at the time of signing a lease is the same returned to the renter at the expiration (presuming no subtractions are made for damage caused by the renter). This is a very literal case of 'rent money is dead money', in that the renter bears an opportunity cost, but illogical economically, reducing our savings and productive capacity. By contrast, a larger pool of income or interest generating savings would help renters and have economy-wide implications, particularly during the COVID-19 recession, when so many young people have drained their superannuation accounts to virtually zero. As the Australian Prudential Regulation Authority revealed in late August, quarterly net contribution flows to the superannuation industry, at -$2.3 million during the June 2020 quarter, were negative for the first time since the inception of mandatory super in 1992, as a spike in benefit payments caused by the Commonwealth's early release scheme overtook monies in.[89]

Homelessness

All levels of government should have built more houses, created more affordable rental and owner housing incentives, and funded social services to reduce the causes of child protection interventions and homelessness. There has been a distinct lack of leadership nationally, however. Since coming to office federally in September 2013, the Coalition government has presided over intensifying stress at the lower end of the housing market given inadequate supply of social housing and unaffordable private rental accommodation. Prime Minister Tony Abbott cut the policy levers to achieve Labor's 'Road Home' commitment to halve homelessness by 2020.[90] Since then homelessness in Australia has increased by 2.8% a year to 2020, or by 14% over the last five years.[91] An estimated 116,000 Australians are sleeping rough on any given night, or forced to live in overcrowded or unsafe or prohibitively expensive accommodation, which is a direct result of Australia's social housing shortfall of 433,000 properties, and related stress in private rentals.[92] Women over the age of 55 are the fastest growing cohort of Australians experiencing homelessness in Australia – with very little in the way of superannuation balances to fall back on.[93] Well before the COVID-19 recession, 200,000 Australians were on waiting lists to access social housing, according to the Australian Institute of Health and Welfare.[94] Homelessness Australia and Everybody's Home Campaign data shows that homelessness and housing shortfalls existed in every one of our 151 electorates, with the Northern Territory, inner-city Sydney and Melbourne, and far north Queensland the worst affected. Tackling private rental stress and renter security goes hand in hand with addressing the scourge of homelessness.

In the absence of a determined federal government plan to addressing housing affordability and security, policymakers need to work with the world as it is: a nation of long-term private renters, insecure and unaffordable accommodation often entailing inadequate tenure rights, and other systemic issues. If left unaddressed, Australia's drift towards becoming a 'rental nation' will potentially cause widespread individual, family, community, and economic harm. It is time governments looked at housing in a holistic manner and gave private renters a fairer go.

State of the Nation

We now turn to the issue of renters' rights and responsibilities. Australian tenancy laws have been shown to add to the insecurity of the private rental sector.

Tenancy laws and policy reflect cultural norms in Australia, where private renting is seen as a form of short-term, transitional housing, which as we have seen, no longer reflects reality on the ground.[1] In the main, Australia's private rental sector is composed of dwellings purchased second-hand by small-scale investor landlords mainly motivated by asset value appreciation rather than rental income returns. 70% of private rental properties are categorised as being owned by landlords who own one property only.[2] This arguably generates a natural landlord inclination to favour minimal security of tenure – increasingly unsatisfactory for a sector accommodating growing numbers of family households and other low-income earners with little or no market power. In Australia, rental housing regulation is largely a state and territory responsibility, with the federal government's involvement limited to providing some funding for social housing, as well as Commonwealth Rent Assistance. As it stands there is no Housing Ministry and no funded national body for renting or housing issues, and no national charter of renters' rights. Housing insecurity and rental stress in Australia is exacerbated by tenancy laws across the states and territories that do not consistently safeguard private renters' rights, whether this pertains to security of tenure or limits on fixed-tenancy, no-grounds evictions, rent increases and bonds. Only Australia, New Zealand, the UK (excluding Scotland) and some US jurisdictions allow no-grounds eviction.[3]

Some state governments are moving to address this systematic issue based on the trend towards greater numbers of individuals and families renting privately and renting for longer periods. What follows in this section is a comparative but far from exhaustive summary of key renters' rights in all Australian jurisdictions, with special reference to the Victorian Labor government's *Residential Tenancies Amendment Bill* 2018 which includes more than 130 reforms designed to increase protections for the state's renters. Measures include ending 'no fault' evictions by removing the 'no specified reason' notice to vacate and restricting the use of 'end of the fixed-term' notices to vacate to the end of an initial fixed term agreement. This legislation's introduction in July 2020 was delayed because of COVID-19. In NSW, the Liberal government recently reformed rental laws, though not to the same extent as Victoria. The Queensland Labor government is also moving on reform and changes were recently put out for consultation.[4]

Tenure

Previously, if a tenant in Victoria was renting month to month, the landlord can tell the tenant to leave with 120 days' notice without reason. The reforms mean landlords will only be able to end a tenancy if they give a reason specified in the Act, such as selling or renovating the property. The reforms also limit the use by landlords of 'end of fixed-term' notices to vacate (which existed even if the tenant has rented the property for more than one term). Under the reform, a landlord can only end a tenancy using an 'end of fixed-term' notice to vacate at the end of the tenant's first fixed term agreement. For any later fixed terms, the landlord can end the tenancy using one of the grounds specified in the Act. Another change to the Act means that if a tenant gets an 'end of fixed-term' notice they can give 14 days' notice to leave. They will not have to wait until the end of the lease. In NSW, renters have just 30 days to find a new property. In the Northern Territory, they have an exceedingly short 14 days. In South Australia, no reason is required at the end of either fixed term or periodic tenancies – 28 days' notice is required for a fixed term and 21 days or a single period of the tenancy for periodic. Western Australia's tenancy laws, like Victoria's soon-to-be implemented reforms, do not require reasons by tenants, but do require a written notice and at least 21 days. If the lessor does not want to extend a fixed term, they need to give 30 days' notice. If a property is intended to be sold during a periodic agreement, 30 days need to be given. But if there is no reason, then that goes up to at least 60 days. In NSW, from late 2018, landlords cannot use no grounds termination during a fixed term lease and have to give 90 days' notice to terminate periodic leases, compared to the 21 days' notice tenants are required to give. Tasmania is the only jurisdiction to prevent landlords evicting during the term of the lease with no reason, and for both fixed and non-fixed terms, 42 days' notice is needed to be given to tenants. The Northern Territory states the termination of fixed-term tenancies by property owners require 14 days' notice, while like Tasmania, periodic tenancies need at least 42 days.[5] For tenants, periodic tenancies need at least 14 days' notice. Given many renters frequently cross jurisdictions, this patchwork framework is confusing.

Bonds

Victoria's introduction of a bond cap based on weekly rent is not unique. While the Victorian reforms propose bonds totalling one month's rent, and upfront rent will also be limited to one month's rent for these properties, in NSW, the NT, ACT and Tasmania when rent is less than double the weekly median rent ($760) the bond is set at four week's rent. Specific bond caps exist in Queensland, South Australian and Western Australian law, with the caps set at four week's rent for less than $700, $250 and $1,200 per week respectively. However, in terms of when the bond is released back to tenants, Victorian reforms are unique. Renters will be able to apply to the RTBA at the end of the tenancy to have all or part of the bond released with or without the landlord's consent. In the current system, a tenant can apply for their bond to be released before the end of the lease. If the landlord agrees, the RTBA releases the bond 7 days before the end of the lease. If both parties agree, the RTBA will pay out the bond within 14 days in full or in accordance with instructions from the parties as to any apportionment. If the landlord has not consented to the bond being paid out, the RTBA will notify the renter, who then has 14 days to notify the RTBA if they are disputing the claim. If the landlord has not responded to the request for the bond to be returned, then it will be automatically paid out to the tenant(s). This reform means tenants will lodge their bond form and if the landlord does not dispute the bond within 14 days, the tenant will be paid out. No other state or territory law allows early bond retrieval.

As discussed earlier, laws around bonds means that renters are missing out financially. In Victoria, interest earnt on rental bonds goes towards running the RTBA, the Victorian Civil and Administrative Tribunal's Residential Tenancies List and Consumer Affairs Victoria's 'residential tenancies activities.' In New South Wales, a small amount of interest may be paid to renters when the bond is returned, but as per Victoria, rental bonds are collectively pooled and the majority of the income earned is allocated to the NSW Civil and Administrative Tribunal and organisations across NSW under the Tenants Advice and Advocacy Program. In Queensland, no interest is paid to renters under the terms of the *Residential Tenancies and*

Rooming Accommodation Act, but rather used for establishing or administering rental advisory services or setting up projects to improve relationships between landlords and tenants. Western Australia's arrangements are similar to NSW, in this case flowing to the Rental Accommodation Account. In South Australia, interest is accrued through a collective pool of bonds and invested but tenants are technically entitled to receive some interest from their rental bond. In the Northern Territory, where there is no tenancy authority, if the bond amount is held by a real estate agent they are technically entitled to this interest. In the ACT, bond interest is put towards the operation of the ACT Civil and Administrative Tribunal, and previously flowed to the now defunded Tenants' Union ACT. Finally, in Tasmania the Rental Deposit Authority holds money until the end of one's tenancy, but it does not pay tenants interest on the bond they have held.[6] This report's recommendation section proposes a bold reform agenda in respect of bonds.

Rent pricing

Victorian reforms against rental bidding are seen only in Tasmania. By comparison in NSW and NT rental bidding is not illegal. Aside from this, Victorian rent pricing reforms allows for rent rises once every six months in a fixed-term tenancy, as does Queensland, Western Australia and the Northern Territory. During Victorian periodic tenancies, the same time frame of once every six months applies, but additionally it cannot be during the first six months of a tenancy, and at the end of a fixed-term tenancy that continues, a rent rise cannot occur 30 days afterwards. South Australian, ACT and Tasmanian law allows for a rent rise once every 12 months. In the former, rises occur only in fixed-term tenancies when agreed upon by both tenant and landlord, while in Tasmania, increases are allowed to come into effect 60 days after notice is given. The ACT differs slightly in that like NSW, South Australia and Tasmania, rent rises are allowed in fixed-term tenancies only if they are agreed upon, and additionally, the rent rise must not be considered "excessive", which ACT law defines as being greater than 20% of rents in the housing group of the Consumer Price Index for the Canberra region. Tasmanian rents can only be raised once a year and by any amount if in line with local market rents.

Blacklists

A significant change will be ushered in by Victorian renting legislation in the form of a landlord blacklist. Currently, no such blacklist exists in any state or territory; only tenant blacklists, which are a source of tremendous anxiety and unfairness to renters, particularly young renters, who are more prone to making mistakes leading to blacklisting. There is little recourse available and this can force people into homelessness and poverty as the blacklist extends to public housing.

Pets

Specifying whether people can by law have pets in a rental property is another unique Victorian reform; the majority of state and territory-based tenancy laws do not set a hard stance on pets. Pets are not mentioned at all in Western Australian, ACT and NT law; permission is required in Queensland and Tasmania; in South Australia, it is up to the property owner's discretion. In New South Wales, tenants with guide dogs cannot be discriminated against. The Victorian pet reform is a particularly good idea because having a pet gives renters a purpose as well as companionship. There is dignity in caring for others, especially as you age or when you are a child.

Modifications

The changes regarding minor modifications being not able to be unreasonably refused falls in line with New South Wales law, but is otherwise largely unique, with no mentions of modifications found in South Australia, Western Australia, Tasmania, the ACT and the NT. In Queensland, various specifications are required to be submitted to the landlord in detail.

The survey of renters' rights above does not of course cover poor-quality housing. Yet as one study shows, people's quality of life, their health and their comfort can suffer when living in poor-quality housing. For example, poor design and maintenance can lead to the build-up of mould. Then there is the problem of unmet repair needs. The Australian Housing Conditions Dataset shows that renters on very low incomes (the bottom fifth of households for gross income, about $20,000 a year) are most likely to have unmet repair needs. Another problem is some private renters do not assert – or feel unable to assert – legal rights to habitable premises in a reasonable state of repair and upkeep.[7] This is often because of the insecurity of their leases, their fears of not having bonds returned, and a lack of affordable alternative housing.

Tenancy laws are an important matter as rental housing becomes increasingly common and long term. Victoria's tenancy laws may well be adopted by the rest of the country, yet Australia's patchwork series of renters' legal rights, notwithstanding recent developments in the states, are still loaded against renters.[8] They have not kept pace with the national structural shift in the proportion of renters to homeowners. We need a national approach to better align rental standards and regulations, drawing on international best practice, and national, coordinated conversation around law reform, as we have seen in other fields, such as consumer law. In the final section of this report, we outline how different governments might work together.

Furthermore, it is one thing to reform the law as required, but it's another to ensure that people's rights under the law can be protected and upheld and, crucially, also be known by the renters themselves. You can have the best rental laws in the country, but this means little if renters don't know their rights and proper regulation isn't enforced. Rental advocates (e.g. Tenant Unions) and community lawyers need to be strongly supported by government. In the recommendation section we expand upon our plan for a national charter of well-publicised renters' rights.

The COVID-19 effect

The coronavirus pandemic has sent a wrecking ball through an already weak economy. COVID-19 has seen economic growth plunge in Australia and globally.

Unprecedented social distancing restrictions and lockdowns, particularly in Victoria, means that Australia is experiencing the biggest contraction in GDP since the Great Depression. The most conspicuous feature however of this economic catastrophe has been its impact on employment. In April 2020, 594,300 jobs were lost with the national unemployment rate increasing to 6.2%; underemployment rocketed up by 4.9 pts to 13.7% and underutilisation rate jumped by 5.9 pts to 19.9%. Monthly hours worked in all jobs decreased by 163.9 million hours in April alone, while the labour force – the total number of employed and unemployed people – shrunk by 489,800 people and the participation rate decreased 2.4 pts to 63.5%, while the participation rate for 15-24-year old's fell further, by 5.6 pts to 62.9%. The overall youth unemployment rate for this cohort increased to 13.8%. May brought worse news. Another 227,700 people lost their jobs; unemployment increased to 7.1% even as underemployment and underutilisation rate held steady. Monthly hours worked in all jobs decreased again, this time by 12.1 million hours. June brought only slight relief. While the economy added 200,000 jobs, full-time employment decreased by around a quarter of that number and unemployment increased again to 7.4%. Total hours worked in June are 6.8% lower than in March. At the time of writing, July's jobs data is catastrophic. Unemployment is at record highs: more than one million Australians are out of work. Treasury predicts a further 400,000 job losses, partly as a result of Victoria's lockdown.[1] Australia's unemployment has climbed to 7.5%. These jobs figures predate the intensity of current Victorian stage four lockdowns and concomitant increased restrictions on business activity.

Even then these numbers do not tell the full story. Millions of Australians who are not working but retained on JobKeeper do not appear in the jobless statistics. More than 2.5 million Australians either looking for work or looking for more work, and the generation of new jobs is skewed towards part-time work. For those fortunate enough to keep their jobs COVID-19 has sent private wages backwards over the June quarter – the first fall in the history of the ABS series stretching back to 1997. Millions of workers are being left out and left behind in Australia's first recession in three decades, one the Reserve Bank and Treasury expect to deepen with a delayed and some suggest 'jobless' recovery. It is predicted that the economy will contract again in the September 2020 quarter, and that the national jobless rate will reach 10% by the end of the year. Treasury is predicting an unemployment rate of 6% for the next five years – this is nearly a percentage point higher than pre-COVID-19 levels or 900,000 people out of work.[2] Australia's COVID-19 recession was confirmed by national accounts of June 2020. Australia cliff-dived into its first recession in three decades with a staggering 7% contraction in the June quarter, the sharpest drop in growth on record and the lowest annual GDP recorded since World War Two, amid record falls in household consumption and business investment.[3] Australia's key economic indicators are not predicted return to pre-pandemic levels for at least twelve months.[4]

Young Australians

COVID-19 has fallen especially hard on young Australians. It has exacerbated a decade-long trend of rising inequality and economic insecurity which severely exposed young Australians to the coronavirus recession. The key demographic affected by the COVID-19 recession will be 20 to 29-year-olds.[5] Young Australians, already prone to insecure work, have suffered a decade of falling incomes due to government policies and changing workplaces, opening a generational divide. Research from the Productivity Commission, released in July, shows Australians aged between 15 and 24 in 2020 have a similar disposable income to a person of the same age in 2001. Between 2008 and 2018, incomes for people aged between 15 and 24 fell by 1.6% a year while for those between 25 and 34 their incomes fell by 0.6% annually, compared to rises of 1.4% and 3.2% a year for those respectively aged between 35 and 64 and retirees and those 65 or older did far better, with their incomes up by 3.2% a year. Young people are being forced into precarious employment and permanently locked out of the property market. The real fall in incomes has left young people exposed at the worst possible time, with Australia going into recession, running down their savings and with few investments to offset any wages drop.[6] As a Per Capita discussion paper points out, for the first time since the Great Depression, two in three young workers do not have enough work to make ends meet. 290,000 people aged between 15 and 24 have dropped out of the labour market. The COVID-19 recession has "smashed what little job security there was for young people in Australia. Industries hit the hardest by the economic shut-down, such as food services, hospitality, retail and the arts, are major employers of young Australians, who make up almost half of the workforce in these low-income industries."[7] So-called Gen Z, born after 1996 and living through their first recession, will be hit with a 'second-wave of labour-market pain', crowded out of scarce jobs by Gen X and Millennial workers.[8]

Gender

Australia is living through its first 'pink recession'. Women are more vulnerable to COVID-19 due to their economic insecurity, over representation in certain sectors of the economy, caring responsibilities, and the feminisation of education and healthcare sectors. More women than men have lost their jobs and female-dominated industries have been most affected. As women have a higher representation in roles such as health care, retail, childcare and education – more women have been exposed to the virus because of employment. Other health implications for women stemming from COVID-19 include risks to pregnancy and reproductive health.[9]

Overall, evidence suggests that COVID-19 is seriously jeopardising women's long-term financial security, well-being, and health. Women are more likely to have been made unemployed or forced into insecure work. The McKell Institute's recent Impact of COVID-19 on Women and Work in Victoria report found "a mix of poor policy design and ill-considered decisions", such as early access to superannuation, cessation of free childcare and ending JobKeeper in early childhood centres, affected women across the community, with the potential to "leave more women in poverty in their retirement."[10] COVID-19 has also had a severe gendered impact on superannuation, the subject of an earlier JCRC report. 90% of women will retire with inadequate retirement savings and one in five women yet to retire had no superannuation at all. Women currently retire with 47% less superannuation than men despite women living five years longer than men on average. The government's Early Release of Superannuation policy will accentuate the super gender gap.

Eligible people are able to access up to $10,000 this financial year and $10,000 last financial year. Analysis from AMP, a major superannuation fund, found that 21% of women were withdrawing their starting super balances, compared to 17% of men. Women are withdrawing a larger proportion of their super than men and are more likely to clear out their entire super savings compared to their male counterparts. With the average superannuation balance for a woman in her early 40s at just under $62,000, a withdrawal of the maximum is likely to wipe out the compound interest on their superannuation. Women's ability to make up for their decreased superannuation through future earnings has also been reduced with 55% of jobs lost in Australia held by women. Women have had to self-fund their own COVID-19 recovery which will significantly impact on their ability to retire with dignity and security.[11]

Finally, family violence cases have also severely spiked during COVID-19, particularly in Victoria where lockdowns have been more prolonged and the recession felt most keenly.[12] This will have a flow on impact to the rental market and social housing waiting lists across Australia, with more women potentially needing safe housing post-COVID-19. Victim survivors of family violence are not always prioritised for social housing and the lack of affordable rental options compound the problem for this cohort, putting pressure on the scarce resources of homelessness services.

Housing stress

For many of these reasons COVID-19 has seen a sharp increase in not being able meet rent or mortgage payments. According to a July 2020 Australian National University study, the number of Australians experiencing what they termed housing stress (a different measure to our previous definition) almost doubled between April (6.9%) and May (15.1%). Of that increase, 8% reported not being able to pay their rent on time, and 8.7% reported not being able to pay their mortgage on time.[13] An extraordinary one in four renters reported being unable to pay rent on time. Of the increased numbers not being able to meet housing costs this was much higher in low income groups. While, as discussed earlier, people paying off mortgages are under pressure, and often reliant on 'mortgage holidays', there remains slightly more mortgage-holders than renters, meaning that those renting are more likely to be living in housing stress.[14] Fewer than one in ten Australian tenants who lost income during the COVID-19 pandemic obtained a 'satisfactory' rent reduction according to a survey by advocacy group Better Renting.[15]

Once again, COVID-19 has had a more noticeable impact on younger people, who are far more likely to be in housing stress than older people given pre-existing lower-paid, precarious jobs, a greater chance of losing one's employment during the pandemic and renter status – 44% of 18-to-24-year-olds reported not being able to pay their rent or mortgage on time. About a quarter of those aged 25 to 34 and renting reported not being able to pay rent on time, and 27.2% of those between 35 and 44 reported not being able to pay on time. Younger people are also less able to offset the immediate income effects of COVID-19 because their pre-existing pool of savings tend to be lower. Furthermore, Australians with mortgages – regardless of age – are better positioned to receive financial assistance than those who are renting, with just over one in five people with mortgages being able to reduce or freeze their payments. Just over one in 10 renters were able to reduce or freeze their regular rental payments.[16] Then there is the billions of dollars Australians have been coerced into raiding from superannuation accounts during COVID-19. An estimated 600,000 plus have reduced superannuation balances to zero,[17] widening the generational wealth divide, meaning that young people will bear the brunt of the economic crisis. According to one estimate, a 25-year-old who withdraws $20,000 from superannuation may be left up to $100,000 worse off in retirement. A 35-year-old who withdraws $20,000 will be at least $65,000 worse off. Collectively, under 35s will be at least $51bn worse off at retirement.[18]

Rising rates of housing stress, notably among younger Australians, and job losses among workers aged 51 to 65 reveals that the COVID-19 recession is causing insecurity at both ends of the life cycle. Nearly a third of people who have lost work or had hours cut because of the pandemic are aged 51 to 65. A Brotherhood of St Laurence paper estimates nearly 400,000 Australians aged 51 to 65 have either lost work or had their hours cut as a direct result of the downturn. As the report suggests: "Not yet eligible for the pension or aged care, many of these people are caught between employment and retirement: too old to work and too young to retire". Young and old and in between will experience "significant hardship" if the government proceeds with the reduction of the temporary increase to JobSeeker monies in September. A full removal is still on the cards. For many mature-age Australians on low incomes the task of regaining full-time employment in the face of greater competition for available jobs will push many into poverty and long-term disadvantage. This is especially the case for women as traditionally "female-dominated" sectors are hallmarked by insecure employment and lower wages, along with migrants, Aboriginal and Torres Strait Islander peoples, and Australians living with a disability. Many of these groups and especially women – employed and unemployed – are also likely to have less superannuation available than men because of the gendered pay gap and time out of the workforce. Workers ineligible for JobKeeper or already unemployed are at risk of rental stress or homelessness; COVID-19 is making private rental markets "highly volatile".[19]

Debt and deficit

Rising housing stress is occurring despite ABS data showing that rents for residential dwellings recording the first quarterly fall since 1972 during the June 2020 quarter.[20] Moreover, it is likely that COVID-19 is laying the groundwork for what commentators describe as a "rental timebomb". Renters are running up large debts to pay rent and cover basic living costs. On top of the phasing out of JobKeeper and reduced JobSeeker payments renters face unprecedented financial insecurity in September and October when nation-wide government legislated moratoriums on evictions are due to expire (Victoria has extended these until 2021 along with South Australia and Western Australia) and many renters are asked to repay deferred rent negotiated with landlords (many themselves struggling or unable to meet mortgage payments) and/or agents and begin paying their full rent again.[21] As temporary government payments are reduced and temporary policies to defer rents and evictions expire, the floodgates preventing mass evictions of renters and homelessness may be about to break, as seen in the United States.[22] (Rent amnesties are also problematic for community housing providers who do not have the financial resources of state governments). Rental debt will have severe implications for people's secure housing needs – their ability to maintain or find employment, and cover living costs. Many renters will not be able to repay accrued debts when eviction freezes end. This is to say nothing of the impact homelessness or housing stress could have on the ability of authorities to deal with the spread of coronavirus.[23] This much is clear: Australia's light-touch tenancy laws aren't equipped to deal with 'black swan' pandemic events. Urgent change is needed.

David and Goliath

Throughout the pandemic people have become more acutely aware of the power imbalance at the heart of Australia's private rental market. Petitions calling for rents and mortgages across Australia to be reduced or waived entirely have attracted hundreds of thousands of signatures while a campaign of rent strikes attracted more than 16,000 sign-ons. Local campaigns attempting to prevent evictions of especially vulnerable people also received media attention. These actions spoke to the level of distress the community felt and the lack of confidence in a negotiation process. To his credit, on 29 March, Prime Minister Scott Morrison announced a 6-month national moratorium on evictions for people who are facing financial distress due to the coronavirus. The National Cabinet (prime minister and all state and territory premiers and chief ministers) made a commitment to look further at residential tenancies and agreed to a national mandatory code of conduct for commercial leases. On 3 April, the Prime Minister announced the "National Code of Conduct" for commercial tenancies. The Code imposes clear directions for negotiating changes to tenancy agreements that adhere to '14 Principles' including no evictions due to non-payment of rent; landlords must offer rent waivers and deferrals based on the tenant's loss of income; benefits that owners get for their properties (e.g. reduced charges, land tax, deferred loan payments) should be passed on to the tenant; a freeze on rent increases; and where an agreement cannot be reached they are referred to binding mediation. However, in relation to residential tenancies, the Prime Minister has clearly said that they will "be dealt with directly by each of the state and territory jurisdictions." Without the clear national direction that was given for commercial tenancies, residential tenants and other renters have been subject to heightened housing stress and insecurity, with different jurisdictions decreeing different rules.[24] The Tenants' Union of NSW made the following points on the inconsistent experience of renters:

- Not all tenants are safe from eviction even if they are suffering financial hardship. Moratoriums do not protect all renters. People are being removed from their homes at a time when the community is still being required to minimise contact with others.

- Rent reduction processes are generally not regulated and are causing hardship as tenants' debts grow, and will need to be paid at a later point, putting their homes at risk.

- If renters find themselves facing debt if they stay in their home, many will then bear further costs because of penalties and costs associated with breaking leases.

- Some renters are even facing rent increases, causing hardship and even evictions.

- Government financial support for tenants is limited. Tenants are still struggling to pay rent, and landlords who have agreed to reductions are struggling themselves.

A national coalition of tenancy and housing organisations wrote to National Cabinet in June highlighting these issues and calling for a minimum rental standard during the pandemic:

✓ Stop evictions for rental arrears or evictions where the tenant is not at fault.

✓ Support renters to terminate a rental contract that is no longer viable and is causing hardship, without being burdened with unfair debts or penalties.

✓ Binding arbitration where tenants and landlords cannot reach agreement on a rent reduction, considering the financial position of both tenants and lessors.

✓ Temporarily freeze any rent increases and provide direct financial support for tenants who, after genuine rent reductions have been applied, still struggle to pay rent.

✓ Require banks and insurers to offer real relief to landlords facing reduced rent.[25]

These are reasonable claims and should, as expected, COVID-19 continue to wreak economic carnage, notably in Victoria due to extended lockdown, national cabinet ought to re-consider its position. Nonetheless, there remains the task of de-stressing the housing market, specifically private renting. COVID-19 should spur policymakers and governments to create durable legislation to deal with future pandemics. It must also be the driver of long overdue national housing reforms to address rental affordability and safeguard renters' rights. There are important lessons from Australia and internationally which can inform this work, in addition to a Commonwealth-led COVID-19 housing stimulus. The Housing Industry Association, for instance, forecasts new housing construction to fall sharply, risking thousands of jobs.[26]

Yet, as of August, ahead of the October 6 commonwealth budget, the federal government's plan to tackle housing stress and use housing related stimulus to lead a COVID-19 jobs and growth recovery is minimalist. The government has rolled out a HomeBuilder scheme, a means-tested program which offers $25,000 subsidies for those building or undertaking a renovation worth between $150,000 and $750,000 and is considering extending this scheme which has come under substantial criticism for failing to attract significant applications. Compared to the hundreds of thousands of workers it was touted to employ, Treasury modelling suggests the program will support only 9600 jobs.[27] It is also considering extending the First Home Loan Deposit Scheme, which enables first-home buyers to enter the market more quickly by having to save just 5% of the deposit, rather than the requisite 20%, as well as tweaking the existing National Housing Infrastructure Facility, a $1 billion fund to provide concessional loans, grants and equity finance for affordable housing, of which $800 million remains unspent. These schemes will not in of themselves solve our housing market crisis.

To date, the federal government has rejected growing calls to fund large-scale social housing stimulus projects, arguing this is a state-based responsibility, and the National Housing and Homelessness Agreement has reduced in real terms over recent years, increasing homelessness and reducing social housing commonwealth-sourced funding. Yet, according to the Social Housing Acceleration and Renovation Program (SHARP), which aims to build 30,000 social housing units over a four-year period, and accelerate the maintenance and renovation of existing social housing stock, there are clear benefits of increasing social housing available to low income households, while the construction phase will provide jobs and economic stimulus Australia-wide. Government can capitalise on historically low bond rates through infrastructure investment to deliver long-term economic benefits and, by focusing on housing, begin to redress the intensifying shortfall in affordable housing and also address housing stress.[28] Housing stimulus can also aim to make affordable housing – whether new construction or retrofitting properties – more energy efficient, improving design standards and create environmentally-friendly jobs in the process.[29] If not, Australia risks missing out on a golden nation-building opportunity to kill two – if not three – birds with one policy stone.

Lessons from home and abroad

Australia

De-stressing private renting can be informed by local experience and best-practice policy.

Tax and transfer settings

Supply-side factors are an important part of the emerging rental market story. Increasingly, it is argued that reform of tax settings is required so that investors perceive property as a long-term source of rental income and less as a short-term capital gain opportunity. This can spur an investment boom in social and affordable housing, including build-to-rent and build-to-rent-to-sell, and reduce the stress of lower-to-middle income households on two levels. Building such housing at scale would give tenants an alternative to purely private rentals, so landlords would have to offer them a better renting experience, or else run the risk of losing their tenants. Second, a large-scale expansion of build-to-rent, on the provision that proportions are set aside as genuinely affordable housing, by improving the tax incentives attached to such construction, would stimulate quality private rentals and provide greater tenure security. Long-term, demand-side factors such as negative gearing and capital gains tax reform remain live issues. Given the overwhelming majority of negative gearing deductions – on one argument a rental subsidy from taxpayers – flow to existing brownfield housing, ways that improve the supply side and construction of rental properties that don't overwhelming favour property speculation should be considered. As well, COVID-19 has shone a light on the issue of insufficient commonwealth transfer payments, whether in the form of rent assistance or inadequate JobSeeker monies.

Build-to-rent

One important development is the push for large-scale institutional investment in affordable housing, known as build-to-rent. This describes a business model for residential construction where the developer intends to be the property manager of the building rather than sell individual dwellings to mostly individual 'Mum and Dad' investors and owner-occupiers. Build-to-rent apartment blocks are built specifically to be rented, usually at market rates, and held in single ownership as long-term income-generating assets. The 'enduring' owner could be an Australian superannuation fund, a private equity firm, insurance company, or the building's developer. Build-to-rent offers housing options across the full spectrum of privately rented accommodation in terms of scale and service offering, often with affordable housing directly integrated into its design through discounted homes. What are the potential benefits of build-to-rent? The long-term, single owner structure creates an incentive for constructing higher quality, premium rental product, in well-located areas, than standard 'build-to-sell' apartment developments, providing owners with high and continuous rental streams, linked to general inflation. Further, the single ownership offers planners more flexibility in respect of future zoning changes. International models of rent control can stop private sector gouging of vulnerable households and also guarantee returns over longer periods to owners or bond holders. Build-to-rent is more immune to fickle changes in housing demand resulting from typically short time horizons and primarily speculative instincts of individual buyers. Critically, the single-owner model provides greater security for tenants as they are attracted to higher-quality properties and more sustainable rentals offered by a model which prioritises long-run rental income as a return on investment over short-term profit based on capital gains from rises in the price of real estate. In the build-to-rent model, there is potential for better alignment between the interests of tenants and the interests of property owners (both are seeking long-term secure rental contracts) than in the small investor market when individual owners may want or need to make their property asset liquid within a short time frame. Build-to-rent will also act as a rental housing market disruptor through providing a standard of property management that is more professional and customer-oriented than established private accommodation norms.

The build-to-rent model is common in the United States and Britain but its progress in Australia has been hampered by tax treatment and lukewarm enthusiasm from developers who find it easier to sell apartments off the plan during housing booms. Tax reform would help stimulate this emerging sector, for instance by giving institutional investors in rental housing the same benefits of ownership as any other investment grade asset, perhaps on the proviso that a certain percentage of build-to-rent developments is specifically set aside for affordable housing for medium- and long-term tenure. The two key impediments are land tax and GST. In the latter case the treatment of housing is a complex area and would require broader consumption tax reform. In the former case, land tax on underlying land values means a single owner faces a large bill, while investors who own one or two apartments do not. In the latter, the GST treatment of build-to-rent and build-to-sell differs. GST is embedded in acquisition and development costs; thus, it is not creditable for build-to-rent but it is creditable for build-to-sell. In addition, overseas-based build-to-rent investors are subject to a higher tax rate on market-rent residential investment than other asset classes which is a significant impediment given that global funds would be likely 'first movers' in establishing a new institutional funding asset class.[1]

What's preventing the uptake of build-to-rent in Australia?[2]

Tax disincentives

Land Tax – State land taxes are levied on the basis of individual dwellings not the entire holding and are consequently significantly higher than other property asset classes.

GST Leakage – BTR projects are not entitled to GST credits for GST paid on land, construction or operations of the asset where it is developed to derive rental yield. This penalty does not apply to other asset classes (i.e. office, retail, industrial etc.)

Managed Investment Trust (MIT) Status – Non-resident investors who invest in MITs that own commercial, industrial, or retail assets have a withholding rate of 15%. BTR does not qualify and therefore attract 30% withholding tax (with the exception if units are provided as affordable housing), making it unattractive to foreign investors.

Negative Gearing – Negative gearing favours individual ownership vs institutional ownership, as the tax loss is written off against a higher marginal tax rate.

Market Barriers

Low Yields – Market rental yields in capital cities where demand would be sufficient to support a large-scale rental market are low – typically around 3% after costs. In the absence of removing tax barriers to BTR investment, even with historically low interest rates and property yields, BTR does not deliver anything more than a very modest return which will not support a commercial development. However, in established markets, BTR has proven to be the most resilient and least volatile asset class. If we consider BTR in terms of risk adjusted returns, a portfolio of scale will have the yield profile that behaves more like a Residential Mortgage Backed Securities (RMBS) portfolio (which in today's environment earns 2%) i.e. large diversified pool of income sources secured by residential housing assets.

BTS vs BTR – Given low yield and unfavourable tax treatment, build to sell (BTS) developers have consistently been able to out-bid BTR developers for prospective land acquisitions.

Debt Funding – Given that it is a new sector, major Australian banks are unlikely to lend to BTR projects until they have been completed and are 70%+ occupancy.

Rolled out properly, build-to-rent housing could introduce a valuable counter-cyclical component into the notoriously volatile residential construction industry, helping offset damaging booms and busts, such as COVID-19. By engaging institutional investment in purpose-built rental construction, the Australian build-to-rent sector could potentially contribute to overall housing supply, achieving the elusive policy aspiration of engaging superannuation funds, insurance companies and other financial institutions in rental housing provision. To be sure, the COVID Co-ordination Commission has explicitly discussed with super fund trustees "harnessing the collective power of Australia's $3 trillion pool of super capital" to inject large-scale investment in affordable housing."[3] Overseas, institutions such as pension funds and insurance companies have been very active in residential investment in countries where private rented residential property accounts for a much larger part of residential stock such as Germany (60%) and the United States (32%). In the United Kingdom, long-standing fears of rent control and other reputational concerns related to the residential rental ownership have dissipated. Since 1990, and especially after 2010, the percentage of UK housing stock in the private rented sector has grown from 9% to 19%, mostly due to a build-to-rent investors, especially in London.[4]

For the purposes of this report, build-to-rent has the potential to generate more affordable and secure housing at scale for those experiencing stress in the private rental market. Two ingredients are essential: significant, indirect government support and tax and planning concessions. On the latter score, urban planning delays and bureaucracy add considerably to cost and unaffordability. A recent RBA report says as much: planning restrictions are adding $355,000, $97,000 and $10,000 to the average cost of apartments across Sydney, Melbourne and Brisbane respectively.[5] First, ideally, housing at rents affordable to low- or moderate-income earners would be included in predominantly market-rate build-to-rent schemes, underpinned by more generous Commonwealth Rent Assistance payments. Second, favourable tax treatment can buttress build-to-rent in two ways. On the one hand, land tax concessions are one means by which state governments can encourage large-scale construction by a single investor in preference to small-scale 'Mum and Dad' investors and traditional build-to-sell developers. The most significant impact on build-to-rent returns would arise through re-balancing state/territory government land tax and reforming less favourable GST treatment. Yet in another sense, the tax system already incentivises build-to-rent for non-profits organisations, given pre-existing tax advantages that go along with this institutional status. Equipped with sufficient capital and allocated with federal or state-owned land at discounted rates, community housing providers can construct affordable rental housing at a significantly lower cost than for-profit entities and with less subsidy.[6]

Under its North American name, "multi-family housing", build-to-rent has generated more than 6.3 million new apartments since 1992 in the United States. These now account for some one in six of America's rental homes. Although briefly interrupted by the GFC, BTR is a deep, mature market with a liquid secondary market for assets. National BTR output has been running at around 300,000 units annually for at least four decades.[7] BTR is "considered one of the primary institutional real estate classes, along with office, shopping centres, and industrial, and makes up 12% (USD 117b) of the listed REIT market and 24% (USD 131b) of the unlisted market."[8] In Britain, the build-to-rent sector has led to 68,000 units built or under construction from 2012 to the end of 2018. To date, the majority of completed projects have come from London and the major provincial cities such as Manchester, Liverpool, and Sheffield. Encouraged by the UK government, construction is now underway in Birmingham and Leeds.[9] Another forerunner is purpose-built student accommodation (PBSA). PBSA has already generated over 90,000 newly built units in Australia's cities over the past two decades, with a pipeline of some 8,000 units annually. While international student housing benefits from tax and regulatory advantages, mainstream build-to-rent development is a natural progression.[10]

Build-to-rent projects are underway or have been completed, mainly in inner Sydney and Melbourne. Eight build-to-rent projects have been built or announced across Australia since 2017. Build-to-rent has recently received explicit support from the NSW Liberal government. The Berejiklian government has announced that it will cut land tax for the next two decades for new build-to-rent housing projects in an Australian-first. Specifically, NSW will give a 50% discount on land tax to developers who invest in build-to-rent schemes to boost construction during the COVID-19 recovery, along with a new planning policy that includes proposed development standards for build-to-rent projects, focussing on design guidance on context and character, sustainability and amenity. This builds upon developments on the ground. Large property developer Mirvac recently completed one of Australia's first build-to-rent projects 'LIV Indigo' at Sydney Olympic Park. Crucially, the project includes the removal of security bonds.[11] The NSW government is progressing its own development in Redfern, comprising 400 homes, a mix of social, affordable and private rental housing. In the case of 'Liv Indigo', which is backed by the Clean Energy Finance Corporation, tenants can stay as long as they like if they met lease conditions and have the right to renew on a rolling one-year basis. Effectively it is their property with none of the restrictions of regular private renting, such as painting walls, interior decorations and keeping pets. Mirvac has several projects in the pipeline backed by investment banks JPMorgan, UBS and Macquarie Capital, with a potential end value of $6 billion, including three projects in Melbourne, most notably a premium site located next to the historic Queen Victoria Market, Melbourne's first build-to-rent complex, which includes 320 apartments, a community hub, public parking, affordable housing and childcare, and 80-room hotel.[12] There are estimates that build-to-rent could eventually transform itself into a $300 billion sector.[13]

A key means of stimulating this emerging sector is by attracting superannuation funds as investors, possibly through housing bonds. For many years now, Australian superannuation funds have invested in affordable housing projects overseas because there has not been the ability to do so here. Build-to-rent properties would provide predictable securitised rental returns to super account holders and expand supply in the market for affordable housing, as Zelinsky suggests, a rare 'win, win' for investors and renters. The industry super fund movement is already active in this space and other forms of community housing-led construction. For example, First State Super has invested $200 million invested in worker housing in Victoria and NSW, including a 55-unit residential development

in the Melbourne suburb of Moonee Ponds, six kilometres from the CBD. The rental properties will be available for key workers (healthcare, aged care, disability services, teachers, law enforcement, emergency services, childcare and associated industries) to rent at 80% of the market rate for the area. They will provide affordable options close to workplaces, the CBD, and facilities like hospitals and schools. First State's worker housing portfolio to date also includes 35 residential units in Hurstville (15 kilometres from the Sydney CBD), 17 residential units located in Waterloo (4 kilometres south of the Sydney CBD), 61 residential units in Epping (22 kilometres from Sydney CBD) and 35 residential units located in Northmead (27 kilometres from the Sydney CBD). Another development at Miranda, south of Sydney, commences shortly and includes dedicated affordable housing.[14] In August 2019, HESTA, an industry fund for the health and community services sector, made a $20 million joint venture investment in a development in Brunswick, in Melbourne's inner north. The project, in conjunction with community housing group Nightingale Housing and not-for-profit Social Ventures Australia, will consist of 185 apartments in six buildings on a former warehouse site. 20% of apartments will be rented to key workers, such as nurses and professionals in the aged care and not-for-profit sectors. A further 20% have been pre-sold to community housing operators to provide affordable housing to eligible tenants. The remainder were sold to the public, many of whom are first homebuyers. In November 2019, building industry super fund Cbus invested $30 million in a bond issuance by the National Housing Finance and Investment Corporation. Academic fund UniSuper also participated. The issue raised $135 million to be on-lent to community housing projects, subsidised by the Commonwealth at low interest rates.

Governments can provide further incentives to encourage super funds and other private sector enterprises to invest in affordable housing, rather than chasing higher returns in overseas built-to-rent projects, through discounted or essentially free-to-lease public lands, on the proviso that a certain per cent is set specifically aside for low-income worker housing. It goes without saying that this is not intended to be a replacement for government investment in social housing – either as public housing owned and managed by state housing authorities or as community housing owned and managed by not-for-profit housing providers. It is commonly anticipated that build-to-rent in Australia will initially take the form of large high-density developments (usually exceeding 200 dwellings) in inner city and well-located middle suburb capital city locations, focussed on Melbourne and Sydney. This platform's spread to other cities, including regions, and lower-density construction should be encouraged, but will require government providing superannuation funds with superior planning, design and tax support.

Inner-urban renewal is an important if unspoken element of build-to-rent, build-to-rent-to-sell and institutional investment in affordable housing models. Build-to-rent can be part of the solution to building well-planned, liveable, and connected outer-suburbs services by cultural, social, and environmental infrastructure, improving the quality of life of residents and workforce productivity, and combatting urban sprawl. The Western Sydney Aerotropolis for instance is a unique opportunity to build quality infrastructure that the region needs to improve education, employment and social outcomes and bring them on par with the rest of Sydney. After all, Greater Western Sydney is home to more than 240,000 businesses and is projected to account for two thirds of Sydney's population growth. Build-to-rent and build-to-rent-to-sell are logical next steps when it comes to designing smart cities in Australia's suburbs and regions.[15]

Build-to-rent must be developed with clearly enunciated targets around retaining moderate income residents in well-serviced areas through inclusionary zoning that mandates a percentage (between 10 and 20%) of affordable housing earmarked for every new development. Inclusionary zoning ("Section 106") has been hugely influential in ensuring affordable housing is mandated everywhere in the UK and needs to be mandated or strongly encouraged through tax concessions by Australian state and territory governments as well as explicit legislation. It would expedite build-to-rent options, as well as social housing growth and mean that local government do not have to negotiate it on a project-by-project basis with developers when seeking planning approvals. Here, governments can enable private developers to shift to a mass build-to-rent and build-to-rent-to-sell program away from 'hidden' subsidies geared towards speculative homeownership. The federal government might turn capital gains tax and negative gearing exemptions towards tax exemptions for build-to-rent and build-to-rent-to-sell. State governments can promote its development through supply-side mechanisms such as loan guarantees in return for rent guarantees, land tax discounts and council rate exemptions, and disallowing conversion of multi-family rental buildings to condominium, at the very least creating a level playing field for investors. These actions must be paired with national efforts to demand-side issues, and the necessity of uniform national tenancy laws that provide tenants with much greater protections than they have at present such as security of tenure through stronger rights to long-term leases; limiting annual rent increases; and far stronger regulation of rent evictions.

Build-to-rent has the potential to diversify the housing market away from a narrow choice between single-owner private rentals and social housing and, in turn, provide enhanced building standards and better-quality, more secure living arrangements. It also promises to be a key component of a short-term COVID-19 construction-led stimulus and, over the long-run, provide a counter-cyclical component to residential construction shortfalls. If as predicted COVID-19 reduces migration-dependant demand for new housing builds, even then build-to-rent could include refurbish-to-rent given that large amounts of public housing stock is of poor quality, and some of which is so poor it is uninhabitable. Refurbishing could be a policy that gets many more housing units into circulation than building new stock. To gain traction, build-to-rent requires significant capital outlays and the patience necessitated by long-term investment, as well as targeted government support. Build-to-rent is not a silver bullet solution for Australia's housing stress problem, but it does have the potential to help government and non-government sectors better address policy objectives. Build-to-rent should not be seen as a simple alternative to improved stability of tenure provided through better regulation. Indeed, stronger uniform tenancy laws to protect renters should be explicitly linked to support for the development of build-to-rent. While build-to-rent has the potential to better align the interests of tenants and property owners, it does not mean corporate property owners will not always act in bad faith. Even in Germany, which has good rental laws, the biggest corporate landlord, Vonovia, is not uncontroversial. Tenants accuse them, for example of charging for services that are not delivered, or of carrying out unnecessary upgrades to increase the rent. Furthermore, there needs to be clear market rules set from the start. Build-to-rent needs to be long-term, not a gateway to selling individual units after an interim period having received generous land tax concession i.e. trying to have your cake and eat it too, by cashing in on both the rental stream and capital gains (or avoiding costs by selling out before major maintenance costs fall due). Build-to-rent should be for the life of the building (minimum 50 years) because that gives the developer strong incentive to build a high quality, energy efficient building. Government concessions to support build-to-rent should also be predicated on the development of new dwellings, and perhaps conversions of commercial non-housing buildings, so that it adds to supply, rather than consolidating a portfolio of existing properties, or exploiting distressed sales.

Build-to-rent is a significant widening of choice. It can potentially contribute to a more stable, secure sector that responds to Australia's shift towards more European-style housing, where people can happily rent for life without being penalised financially. Build-to-rent is not just about building buildings; it is about building communities. Reducing tax incentives that invite speculation – and therefore drive up capital returns for housing investment – are an important way to ensure long term rental does not create compounding inequality. Yet without a strategic national agency, integrating tax reform, land release, fast-tracking planning, and income support, a build-to-rent sector will not generate secure, affordable housing at genuine scale.

Build-to-rent-to-own

An important related development is the advent of build-to-rent-to-own, a twist on build-to-rent. This pathway to home ownership allows residents to rent an apartment for up to five years with the option of buying at the end of the lease. The rent is agreed up-front and calculated at a market rate, which gives renters a level of stability while they save over a seven-year period and become ensconced in a community. The purchase price is also agreed up front and is calculated as the current price with fixed 1.75% increases per year over seven years (two years of construction plus five years of leasing). The lease and option to purchase is secured by paying a refundable amount of one per cent of the purchase price prior to the start of construction (e.g. $5000 for a $500,000 apartment). After five years, residents can exercise the option to purchase the property at the fixed price, with the 1% refundable amount contributing towards the purchase price. Unlike another model, known as rent-to-buy, where tenants pay above market rental rates towards a deposit, tenants do not contribute to a deposit and simply pay market rental rates, so they are not locked into buying. Moreover, this model works by allowing prospective purchasers input at key stages prior to the construction phase, providing rights akin to that of a landlord in an owners' corporation, stimulating a real sense of ownership.[16]

Australian Super, Australia's biggest superannuation fund, recently determined to take a 25% equity stake in the affordable housing developer Assemble Communities' platform. Australian Super expects to invest several hundred million dollars annually in the company's pipeline of 'build-to-rent-to-sell' homes that occupants rent for five years before purchasing at a fixed market price set today, with rent offsetting the cost of purchasing the property or providing for a discount, making possible institutional investment in an innovative, scalable housing platform model, with provision for essential worker tenancy components. The first Australian Super investment project is Assemble's 198-unit development in Melbourne's inner north-west suburb of Kensington. The properties are targeted at households in low-to moderate-income bands defined by the state government.[17] A number of Assemble's apartments have been set aside for workers such as nurses and educators. Assemble also offers financial coaching and bulk-buying initiatives for internet, utilities, and farm-direct groceries to help renters save for their deposit.[18] Around 6000 people have expressed interest in being a part of this pilot scheme, which holds out the promise of longer-from tenure and community-building and sociability. Assemble's first development was a partnership with Wulff Projects and Icon Developments in the inner-north suburb of Clifton Hill, comprising 48 apartments and 18 townhouses. Like build-to-rent, it faces a number of significant hurdles in relating to the property tax landscape.[19] Nonetheless, build-to-rent-to-own is a potential middle road, or 'third way', between private housing and private/public/community renting on the road to more affordable, secure housing.

Community Housing

Easing the pressure on the private rental market can also be informed by developments in the community housing sector and best-practice coordination between different layers of government. Community housing should be seen as complementary to public and private, for-profit initiatives and the existing stock of state-run public housing. It has underpinned the growth and viability of the fairest and best-performing social housing systems in the world such as Sweden, Denmark and the Netherlands. In this model, management and/or ownership of land (including allocated land owned by the state) is vested in not-for-profit community organisations aimed at long-term affordability and tenure security akin to public housing. Management thus can be run along the lines of innovative co-operatives and housing trusts. There are many excellent examples of community housing providers. For example, Caggara House is an initiative of the not-for-profit Brisbane Housing Company. Since it was set up in 2002, BHC has built 1,300 affordable rental dwellings and earned the same AA- credit rating as the Commonwealth Bank. Housing First (previously the Port Phillip Housing Association) is another innovative community-housing provider. It has 1,200 dwellings scattered around Melbourne, built through strategic partnerships with private developers, other community organisations, and all tiers of government to build energy-efficient homes with low running costs. In Sydney, affordable housing provider BlueCHP has a portfolio of 1,600 properties, including Macarthur Gardens, a mix of apartments clustered in three towers close to Macarthur Railway Station, Macarthur Square Shopping Centre, and Western Sydney University. These are innovative, flexible not-for-profits who have taken calculated risks and proven adept at responding quickly to the needs of residents. One reason for this flexibility is that, unlike government instrumentalities, community providers can borrow against their assets – allowing the NGO sector to monetise existing assets in ways that are consistent with broader public benefit. In the appropriate financial environment (as exists in the above social democratic countries), they can then grow their asset base to meet a broad range of housing needs. The federal government's National Housing and Finance Corporation's strategy of offering community housing agencies access to lower-cost loans is a positive development by which this sector might form one part of the national jigsaw of housing affordability.[20] Community housing is especially skilled at housing particular cohorts, for instance Women's Housing Limited and Aboriginal Housing Victoria, and other marginalised demographics Their tailored housing options offer wrap-around services for very low-income residents in need of both shelter and care. This saves governments money that would otherwise be used to fund homelessness organisations. The NSW Government has successfully used a community housing model, along with a mixture of discrete private ownership to drive urban renewal in major public housing precincts. The mixture of affordable housing, public housing and private ownership, often directed towards long-term public housing residents has helped revitalise suburbs that had become distressed and in some instances become urban ghettos.

Peter Mares, lead moderator at Cranlana Centre for Ethical Leadership and the author of *No Place Like Home: Repairing Australia's Housing Crisis*, has written extensively on the promise of community-led housing to address our shortage of affordable housing.[21] He draws our specific attention to the successful example of 'Richmond Apartments' in the Brisbane suburb of Bowen Hills. 107 high-quality, well-designed, community-friendly homes have been built over eight-storeys as part of a development by the not-for-profit BHC. Many of its residents, some aged pensioners, would struggle to afford a decent home in the private rental market. The key to Richmond's success, as Mares points out, is all three tiers of government in Australia working together. The building was supported by Brisbane City Council and the Queensland government provided $1 million in funding, however the core investment of more than $9 million came from the Rudd Labor government's federal stimulus social housing package in response to the 2008-09 GFC which enabled, through an investment of $5.6 billion, the building of almost 20,000 new homes to be built, and the repair of another 12,000. This program was estimated to have created 9,000 construction jobs and a total of 14,000 jobs throughout the economy. Every project dollar invested by the commonwealth generated a healthy $1.30 in added economic activity.

As Mares notes, as we seek to recover from COVID-19 now is the time for federal government to re-engage with housing to fill the gap caused by serious falls in multi-unit dwelling construction and new private housing building as well as the estimated loss of up to 205,000 construction jobs by March 2021.[22] In the face of this crisis, the GFC stimulus package that funded the development of Richmond Apartments provides a model response for COVID-19. As Mares notes, there is already a detailed proposal on the table. SHARP – the Social Housing Acceleration and Renovation Program – proposes a $7.7 billion investment from the commonwealth for the private sector to build 30,000 additional social housing units, 75% of which will be delivered within three years, along with accelerated maintenance and renovation of existing social housing stock. Once these are constructed and rented out, housing organisations will be able to leverage against these units to raise private finance to invest in up to 5,000 additional housing units. Modelling by SGS Economics and Planning estimates that the four-year program would support the equivalent of up to 18,000 full-time jobs on average a year in both direct construction jobs and other jobs and raise economic output at least $15.7 billion, with a peak number of jobs supported (between 21,000-24,500 FTE jobs) is in 2021-22. This is when the economy is likely to be at its weakest and every dollar of stimulus presents a real opportunity to save a job. 30,000 full-time equivalent jobs could be saved by the SHARP stimulus.[23]

The current federal government denies its responsibility for housing. Their response seeks to abrogate what has been, since World War Two, an area of shared responsibility. Yet, as noted, the commonwealth is already deeply implicated in what Mares calls the "most powerful drivers of the housing market and housing affordability for low income renters— think immigration, tax concessions, rent assistance and pension rates", and it has been willing to fund the HomeBuilder program.[24] A more cooperative approach to social housing has clear immediate and long-term benefits.

More than that as we have seen it also has strong historical precedents, in the post-World War Two affordable housing boom forged through the first Commonwealth-State housing agreement. In the 1950s, governments built up to 15,000 social housing units a year, when the population was far lower than today. Investing today in construction of residential housing has the potential to have a greater, more reliable stimulus impact than some other potential projects, both in the short term and the long term. It will also address housing affordability and housing stress, meaning modest income workers can live closer to their jobs, families can have security of tenure, children enjoy a more stable education, and increase the productivity of workers. What Australia lacks is a bi-partisan commitment to a national housing strategy that links all levels of government and is immune to electoral cycles. It needs fixing.

Public Housing

An adequate supply of public housing is another part of this housing affordability equation, preventing our most disadvantaged citizens being forced into private rentals or homelessness, what one witness to the 2015 Senate Economics Committee described as a "brutal place" for poor Australians. The shortfall of social housing stands at 437,600 as of 2019 and is forecast to rise an extra 291,100 by 2036.[25] Adequate social housing would mean older Australians can live in dignity, Aboriginal citizens and people with disability don't live in substandard, ill-fitting dwellings with no allowance for their particular needs, and victim survivors of family violence aren't forced to sleep on couches, stay in motels or, worse, remain in abusive relationships. Furthermore, ongoing construction of new social housing stock provide the government with flexibility in terms of asset recycling programs and debt gearing via the community housing sector. The examples of the post-war public housing boom, the Rudd-Swan Labor government's stimulus response to the 2008-09 GFC, and the Victorian government's COVID-19 package point the way towards programs to boost public housing and stimulate growth. All governments have an important role to play partnering in the here and now, and over the long-term.

There is a potentially new role for government and the non-government institutional investor sector to boost community housing. For example, in late August, Cbus announced that it will invest up to $10 million in a NSW pilot putting industry super funds into community housing development for the first time, expanding funding available to community housing providers beyond the Commonwealth's National Housing Finance and Investment Corporation (NHFIC). Such investment could reportedly reach $100 million within three years. The project addresses the problem of low rental revenue stream from community housing residents hampering financing costs. Costs are lower in this case as the NSW government – through the agency of the Land and Housing Corporation (LAHC) – will retain ownership of the land, and providers will develop and manage homes under long-term leases, and importantly, be able to develop on-market build-to-rent dwellings that will provide revenue needed to bridge the payment gap.[26] It is important to note that there is a subsidy here in the form of land; super funds will not invest in the provision of social housing at any kind of scale unless there is government support to bridge the funding gap between the cost of building, delivering and running social housing and the rental returns that low-income tenants can afford to pay. This can be offset to some degree by mixed tenure developments where some dwellings are built for sale or let at affordable or market rates, but there is no magic pudding. Without the leadership and faciliatory role only the commonwealth can provide to secure benchmark returns, super won't invest at scale.

Fit for National Purpose

Investing in all shades of affordable housing and seriously tackling housing stress requires better coordination across different levels of government and more assertive national leadership. The post-World War Two nation building era and more recent experience provides key lessons.

The National Rental Affordability Scheme

The National Rental Affordability Scheme ('NRAS') is a commonwealth affordable housing initiative, delivered in partnership with state and territory governments. The NRAS is administered under a legislative framework comprising the National Rental Affordability Scheme Act 2008 and the National Rental Affordability Scheme Regulations 2008 by the Department of Social Security. Initiated in 2009, the NRAS was targeted at low-income workers and generated a supply of 38,000 discount-to-market rental units (against an original target of 50,000). It seeks to address the shortage of affordable rental housing by offering annual financial incentives to increase the supply of affordable rental housing, leveraging private sector investment to reduce the rental costs for low to moderate income households and alleviate significant rental stress. Specifically, the NRAS seeks to rent dwellings for eligible NRAS tenants at 80% or less of the market value rent. NRAS issues financial incentives to organisations – property developers, not-for-profit organisations, and community housing providers – that provide people on low to moderate incomes with an opportunity to rent homes at a rate that is at least 20% below market value rent. NRAS homes are not social housing, but affordable private rental homes. In addition, many state and local governments have provided generous planning incentives where NRAS approved dwellings are to be built. NRAS commenced on 1 July 2008 – there have been five open calls for applications for NRAS incentive allocations. Rounds 1 to 4 and a smaller 'shovel ready' round went ahead and successful applicants were allocated an annual incentive for 10 years indexed to CPI for each approved rental dwelling. In the 2014-15 Budget, the federal government announced it would not proceed with Round 5 and that the Scheme would be capped at 38,000 allocations. There are to be no further funding rounds or new allocations beyond those currently allocated and held by approved NRAS participants.[27] While not without its faults – dwellings only had to remain affordable for 10 years, after which they could revert to market rates, making the NRAS unattractive to longer-term investors – the demise of NRAS is regrettable.[28] Also axed by the then Abbott Coalition government was the National Housing Supply Council (NHSC), which was also established by the Rudd Labor government in 2008. In its place, and that of the NRAS, the Coalition initiated the National Housing Finance and Investment Corporation (2018) and National Housing and Homelessness Agreement (2017). The emphasis in the former body, borrowing from the example of Britain's 'bond aggre¬gator model, is to encourage private and institutional investment in social housing through bond ¬issues for community housing providers, primarily through access to cheaper finance. None of this is a real substitute for a national agency dedicated to bringing together housing stakeholders.[29]

Against the backdrop of COVID-19 there is clear scope for the establishment of a new national peak agency reviving and indeed extending the work of the NRAS, an agency specifically tasked with driving a holistic approach to affordable, secure housing including short, medium- and long-term housing targets, reporting directly to a dedicated federal cabinet-level Housing Minister. A short-term target of 200,000 new dwellings built to 2025 is a realistic aim as part of a commonwealth and state government housing stimulus. Australia should be aiming to build 100,000 a year to the end of the decade. This would provide immediate stimulus to the economy while addressing rental stress and security of tenure. City Deals and the Western Sydney Aerotropolis discussed above, with provision for affordable housing can also assist.[30] Indeed, every City Deal must include a section dealing explicitly with affordable housing targets.

A national agency could be informed by the work of the Victorian Labor government. Aside from its important legislation providing better protection for renters, in its first term in office, the Andrews government set about defining affordable housing incomes and price points for both Greater Melbourne and regional Victoria for households on very low, and moderate incomes. It enshrined affordable housing as an explicit aim in the *Planning and Environment Act* and created a metropolitan planning strategy which aims for 1.6 million new dwellings between 2017 and 2050, or almost 50,000 new homes a year. Furthermore, in response to COVID-19, in May, the Victorian government announced a $500 million package to build 168 new social housing units and upgrade 23,000 units as part of a $2.7 billion government "building blitz" to aid the state's economy during COVID-19. The social housing projects will all start within the next six months. $58 million in funding has been earmarked by the Victorian government for new social housing units, while the biggest portion of the package will go towards maintenance of existing units and upgrade works that can be delivered quickly.[31] This stimulus package will go some way to addressing Victoria's social housing waiting list of some 28000 (current stock is 15000) places, going some way to matching demand and supply. More substantial per capita investments have been made by Tasmania and Western Australia.

We need better nationally articulated targets around affordable housing needs, whether build-to-rent/build-to-rent-to-own, or an enhanced role for community housing providers, and social housing, specifically enabling its provision as a stated goal of planning.[32] The Rudd Labor government's National Rental Affordability Scheme is one example of a past program which delivered results as part of dedicated national housing policy – commonwealth expenditure on housing over the period 2008/09 to 2011/12 increased by over 220% – and a cabinet-level housing minister. Housing-specific policies, and policies that shape the housing market more broadly, have direct and in some cases profound effects on the lives of Australians across the socio-economic spectrum and in all tenure types.[33] It is crucial to have a dedicated cabinet-level housing minister to pull this work together, provide cross-portfolio leadership and oversight, driving much-needed national rental market reform to ensure affordability and security.

Abroad

As we have seen with our discussion of the potential of built-to-rent and best-practice social housing, there is scope to pursue a national rental reform agenda to build on existing housing models and overseas examples, notably Europe, and especially Germany, Britain, and North America. Australia performs poorly in terms of renters' security in comparison with Europe, as the comparative tableon the next page (Figure 8) produced by AHURI graphically demonstrates.

Germany

Renting is more common in Germany than homeownership. 60% of the country's residents rent their homes. In Berlin, home to three million people, only 18% of residents own their homes. In Germany, while the private rental market, like Australia, is dominated by 'Mum and Dad' investors and social housing levels are also equivalent, housing law stresses that security of tenure is paramount. Tenants can have indefinite leases, and even for fixed leases it is difficult for leases to be terminated without the tenants' permission. Germany has two forms of leases: nearly all leases are unlimited and can only be terminated where the landlord has "legitimate interest", the other are less-common fixed-term leases subject to special provisions. A legitimate interest can include breach of tenancy agreement, landlord needing property for their own or family use, or where work is genuinely needed on the property.[35] The Netherlands and Denmark also offer infinite leases. Europe underlines how unique Australia is in terms of how short-term leases are – typically 12 months at most and prices tied almost entirely to the free market – a by-product of the historical ease of buy your own home and high home ownership rates.[36]

In Germany rent prices prioritise stability, reliability and affordability to tenants, whilst still giving landlords a steady income stream and not dissuading investment, producing a balance of interests. Crucially, there are limits imposed on how much rent can increase in a given year or five-year period, most importantly through the market smoothing mechanism of *Mietspiegel*, a database of rents in a local area over the preceding four years (the 'reference rent'), which is used by the landlord to determine an appropriate rent for their property. New tenancies mandate that the landlord is not allowed to increase the rent by more than 20% of the 'reference rent' while in big cities like Berlin it is 10%. During a tenancy, rent can be increased only once every 12 months using the 'reference rent'. The rent may not be raised by more than 20% over three years, and in some regions this increase can be no more than 15%. There are also provisos for 'stepped rent' (a set increase every 12 months or more included in the lease) and 'indexed rent' (an annual increase determined by the cost of living index of all private households in Germany also included in the rental agreement.) Critically, a landlord wanting to increase rent declares and

Figure 8. Security of tenure policy settings in Australasia, Europe, North America[34]

	Grounds for termination by landlord	Fixed term and periodic tenancies	Rent increases	Setting of new tenancy rents
Australia	No-grounds termination allowed; Victoria has proposed legislation to remove the 'no specified reason' ground	Short (6–12 months), fixed-term and periodic tenancies	Varies by state; mostly provision for disputing 'excessive to market' increases	No regulation
Belgium	Termination at end of fixed term allowed	9-year fixed terms, but most are 3-year terms	Increases in line with CPI	No regulation
Canada	Mostly prescribed grounds only; some allow termination at end of fixed term	Mostly short (6–12 months), fixed-term and periodic tenancies	Varies by province; most restrict increases to annual 'guideline' rate	No regulation
Germany	Prescribed grounds only	Little use of fixed-term tenancies	Restrictions by reference to 'reference rents' and caps; additional increases for improvements	Restriction by reference to 'reference rents' in specified areas (but regulation is in doubt)
Ireland	Prescribed 6-year cycle with lesser restrictions on termination in initial 6 months, then prescribed grounds only	Short fixed-term and periodic tenancies	Rents must not exceed market rent; high pressure zones	Rents must not exceed market rent
New Zealand	No-grounds termination allowed	Short (6–12 months), fixed-term and periodic tenancies	Restrictions against 'excessive to market' increases	No regulation
Sweden	Prescribed grounds only	Little use of fixed-term tenancies	Collectively bargained utility rents	Collectively bargained utility rents
Spain	Termination at end of and, in limited circumstances during, fixed term	3-year fixed terms with some provision for early termination	Increases in line with CPI; additional increases for improvements	No regulation
United Kingdom	No-grounds termination allowed (England and Wales); prescribed grounds only (Scotland)	Short (6–12 months), fixed-term and periodic tenancies	Provision for disputing excessive rent increases; in Scotland, high pressure zones	No regulation
United States	Varies by state and municipality: most allow termination without grounds, a few large cities allow termination on prescribed grounds only	Short fixed-term and periodic tenancies	Mostly no regulation; a few major cities have rent regulation (by annual guideline rates) and rent control	Mostly no regulation; a few major cities have rent regulation

justifies any rent increases to the tenant in writing, with three months' notice, typically by reference to *Mietspiegel*, or specific operating or incurred (e.g. renovation) costs. The tenant is asked to approve the increase, and if not granted by the end of the second month, the landlord may take the tenant to the relevant tribunal or the tenant can exercise their right to terminate the lease. In addition, social housing rents are strictly controlled. In response to rising prices over the last decade Germany's *Mietpreisbremse* (rent control law) has recently been strengthened. [37]

Another notable aspect of Germany's sector is the efficacy of its tenants' union. The German Tenants' Union (*Deutsche Mieterbund*), representing three million renters, has campaigned successfully for renters' rights. For example, it played an important role in convincing Berlin's City Council to exercise its right to match private offers when apartment buildings are placed onto the market, and to match private offers to take them into municipal ownership. In Germany, despite similarities to Australia – negative gearing, lack of housing supply and majority mum and dad investors – renters are perceived to be important players. They not only make up a sizeable population but are organised and effective at lobbying for better outcomes. Only 23% of households are under rental stress, lower than Australia and counties such as England.[38]

The German model may sound biased towards tenants from our perspective, but evidence suggests that this approach benefits landlords by reducing rental churn.[39] This dynamic garners strong support from landlords who believe strong rental protections create more demand for renting.[40] In Australia, rent control mechanisms are not a silver bullet, but coupled with long term leasing they can send a signal to investors vis-à-vis predictability returns. Predictability of return would mean that investment monies would begin to flow to sectors such as build-to-rent projects and give certainty to the 31% of people who rent or hope to purchase a home. Britain is moving in a German direction. Tenancies were made more secure in Wales in 2016 and Scotland legislated open-ended tenancies in 2017. Ireland too substantially extended eviction notice periods in 2019. In England, the government has pledged to remove 'section 21' evictions, by which a landlord can evict a tenant without reason (rolling year-long leases are the norm).[41]

Another aspect of German rentals worth adapting pertains to bonds (*Kaution*). Instead of renters losing money in real terms through inflation attrition or regressively subsiding public agencies, bond deposit accounts (*Mietkautionskonto*) are held with banks providing interest to renters. It is worth noting that this system is not applicable to short-term/temporary lease agreement.

There are other models derived from Germany which can help tackle the problems of housing unaffordability and rental stress. The German model of *Baugruppen* ('building group') is a housing model in which allows property buyers to collectively finance, purchase and construct multi-unit apartments where private owners, who probably couldn't buy on their own in expensive markets, combine to build large, affordable housing precincts. *Baugruppe* are well-designed, efficient, and well-served by amenities. In Berlin, one in ten properties are now built using this model. A 2015 Swinburne University of Technology study found buyers could save up to 30% through this model. *Baugruppe* have been built in Perth and in Melbourne. Melbourne's *Baugruppe*-inspired Property Collectives is also run under the banner of 'citizen-led housing'.

Other overseas models along these lines are Community Land Trusts, which are common in faith and African American communities in the United States and emerging in the United Kingdom out of the work of the community organising group, London Citizens/Citizens UK. A CLT enables land to be bought and kept in community ownership in perpetuity, passed down through the generations. Houses are sold or rented out at a rate that is linked permanently to local incomes. London Citizens organised successfully for a Community Land Trust to be built at London's old Olympic Village, leading to over 800 affordable homes being constructed on a hitherto derelict site. Membership of the trust is open to anyone who lives, works, or has strong active ties to a social institution in the area. Just £1 buys a share in the not-for-profit company. An independent panel decides who gets a home (and they do not necessarily have to be a member of the trust) in line with the local council's housing allocation policy, but grantees (often families) have to be locals with housing needs and enough income to buy a property.[42] Australian community housing organisations are a potential institutional replica, particularly in regions.

Nordic countries

Nordic countries also provide potentially important lessons. Take, for example, Finland. Neither Finland nor Australia have historically been a nation of renters – about 70% of Finnish housing is owner-occupied, a proportion similar to ours. However, like Germany, rental agreements in Finland are generally permanent. Another point of departure is the nature and supply of affordable housing. In Finland, affordable housing is largely built by the private sector, but the government provides long-term low-interest loans to developers on a 5% deposit and guarantees their returns with a housing benefit that can cover up to 80% of full market rent. The equivalent payment in Australia, Commonwealth Rent Assistance, is capped at a maximum rate of $67.40 per week for single people living alone, regardless of how much rent they pay. What is more, social housing in Finland is generally built on publicly owned land. Local governments in Finland tend to control much larger tracts of urban land than in Australia. The City of Helsinki owns about half the land in the capital, giving it a powerful hand in planning decisions. A fifth of the dwellings in all new residential developments must be set aside for social housing, and authorities use their rental guarantee to ensure that new social housing meets high standards of design and energy efficiency. In Australia, where publicly owned land is split across three levels of government, local authorities lack the same leverage. Our cities have many suitable parcels of unused, "lazy" public land that could be used for new dwellings.[43] Drawing on the Finnish experience, leveraging community housing and build-to-rent could moderate private rentals and smooth boom-and-bust cycles in residential construction, notably after COVID-19.

North America

Outside of Europe, we can draw inspiration from two North American examples, Vancouver (Canada) and Portland (the US). Both cities have ambitious private sector build-to-rent programs, with thousands of new affordable rental dwellings built near transport lines. In the case of Vancouver local administrations have worked in tandem with national government. Canada is investing C$40 billion (A$42.6b) over the next ten years in its National Housing Strategy. Vancouver has created the most social and affordable housing, both new construction and renewed stock, in the past three years: about 15 times as much per capita as Melbourne, with equally limited federal government support until recently. Local and provincial government, investors, and non-profit developers have developed six integrated 'game-changers', which together are increasing capacity to scale up a viable non-speculative housing sector. In Vancouver, inclusionary zoning has been placed at the heart of housing policy, where the rate of affordable housing per new developments is set at 20%. (The City of Melbourne is looking to adopt a mandatory inclusionary zoning policy, albeit without yet setting a specific rate.) Although outcomes are not yet meeting the needs of low- and moderate-income households, they show promise of growing suitable supportive, social and rental housing. In America, Portland developers have almost entirely moved from speculative condominium development to more affordable build-to-rent in recent years. It has also mandated inclusionary zoning, which could be scaled up to cover all well-located new developments. Portland recently introduced mandatory provision of 20% of new housing developments affordable to low-income households or 10% to very low-income households. Portland has done this through imaginative funding mechanisms. With limited interventions, Portland has produced six times the amount of affordable housing (key worker) per capita as Melbourne. Both cities have been able to provide well-located and appropriate housing, aligned with local services and infrastructure. The other lesson from North America is the importance of having one agency to drive change. It is far more efficient to have one purposeful national agency and parallel state governments agencies explicitly mandated to target, plan, develop and deliver housing affordability, bringing together for-profit and non-profit housing providers, investors, and tenant associations.[44]

De-Stressing Housing

Rental Nation proposes six recommendations to tackle long-run, systemic problems around rental stress and insecure tenure simultaneously addressing COVID-19 specific challenges:

1. To address rental stress, the federal government, through the existing mechanism of Commonwealth Rental Assistance (CRA), should **permanently increase the levels of rent assistance to eligible, lower income individuals, women (especially targeted at those aged 55 and above) and families**. Specifically, CRA should be substantially increased, and indexed to changes in the rents ordinarily paid by recipients, so that its real value is preserved over time, something recommended over a decade ago by the Henry Tax Review. This report does not recommend a set figure increase. It is however estimated that a 40% increase in CRA payments equates to an additional cost of $300m to the commonwealth budget per annum, which could be gradually increased over a ten-year period. Support for increasing is broad based, ranging from the Productivity Commission, the Business Council of Australia, welfare advocacy groups including the Australian Council of Social Service, CatholicCare Social Services and the St Vincent de Paul Society, homelessness advocacy groups, the gamut of thinktanks, federal Labor and the Greens Party. Of course, this does not factor in the effect on disposable incomes, consumer spending and higher commonwealth tax receipts. Higher CRA payments will be necessary if, as predicted, more and more older Australians do not own their homes and are renting in retirement. This is another reason, along with taking seriously home ownership as the third pillar of our retirement incomes system, why the commonwealth should be sticking to the planned legislative increase to the super guarantee from 9.5% to 12.5% by 2025. Strategically paired with investment in build-to-rent and build-to-rent-to-own, and expansion of community and public housing, this structural change to renter's income would have the added benefit of attracting investment by superannuation funds into affordable housing by generating a more acceptable rate of return to investors, to say nothing of the stimulatory effect on disposable incomes and that provided by large-scale residential construction.

2. The Commonwealth needs to **immediately and permanent increase JobSeeker payments and extend JobKeeper eligibility** for the foreseeable future. The poor design of the JobKeeper system has had a disproportionate negative impact on women, who are more likely to be in casual work than men. These measures would not only assist unemployed and lower-income people, especially women, and precariously employed renters during and after COVID-19, but in the manner of increased CRA payments help stimulate a weak economy. By contrast, the government's tapered JobKeeper and JobSeeker payments starting in October are estimated to push 740,000 people back into poverty, bringing the total to 1.8 million.[1] Again, this report does not recommend a prescriptive increase. By way of example, however, it is estimated that a $50 weekly increase to JobSeeker and the youth allowance would cost the federal budget $2 billion a year, while a $25 weekly increase in rent assistance would cost the budget $1bn a year. While these measures are not the only long-term solution to rental stress, they would go a long way to easing the pressure on renters, including during economic downturns. In addition, given that the next six months will

bring possibly greater hardship for renters, state governments need to also step up. Practically, state governments can do a better job of ensuring monies specifically allocated for alleviating rental stress are utilised.

3. Aside from using the 2020/21 budget to make serious investments in social housing as a COVID-19 stimulus measure, the Commonwealth should **establish a new, permanent National Affordable Housing Agency (NAHA)**, ideally a statutory body, similar to the defunct National Housing Supply Council, and **the federal Housing Minister should be elevated to full cabinet level**. NAHA's key aim should be to ensure secure and affordable housing for all Australians, whether they own homes, wish to purchase a home or choose to rent. Many of the key policy levers that shape the Australian housing market and housing affordability rest with the Commonwealth. Demand and supply-side levers such as taxation policy (GST) generally reside with the Commonwealth. Although many supply-side policy levers fall within the remit of the states and territories, the Commonwealth is best placed to provide the leadership to coordinate and guide the cross-jurisdictional reform necessary to improve the efficiency of housing demand and supply across Australia. An institutional mechanism is required to bring all levels of government together to deliver the overarching strategic approach to affordable housing. COVID-19 only underscores this need. It is likely that there will be significant investment property sales post-pandemic. There may be an opportunity for many of these properties to be purchased by government and/or community housing associations to use as social housing. This important work needs to be much better coordinated.

   The COVID-inspired national cabinet, which has effectively superseded the Council of Australian Governments (COAG) provides the ideal structure through which the Commonwealth and states and territories can develop the above strategy and devise the best way to implement it. The NAHA would work through the Housing Ministry and national cabinet and its workings allow representatives from key government agencies, the not-for-profit organisations, industry bodies and associations, superannuation funds, academics, and other housing experts to participate in, or contribute to, the formulation of policy. The agency's terms of reference would identify the economic, social and community costs of a high-stress, insecure private housing and private rental market activity and plan long-term structural remedies by way of coordinating commonwealth, state and local government efforts to plan, build and maintain a pipeline of affordable build-to-rent, build-to-rent-own and community housing, partnering with stakeholders to bring complex and large projects to market. Particular attention should be given by the proposed NAHA to crisis accommodation/alternative housing options and longer-term affordable and stable accommodation options for those experiencing family and domestic violence and women over 55 years of age. The commonwealth has a critically important role to play in revitalising a national housing strategy; aside from funding, it can set geographical and socio-demographic targets, drive policy work and evaluation, and facilitate coordination across governments (federal, state, local). Within 18 months of its establishment, NAHA, in consultation with state and territory governments, the National Housing Finance and Investment Corporation, and other key housing stakeholders should **produce a long term, national affordable housing plan**.

4. The transformation of renting in Australia to a mainstream, non-transitional from of housing requires the NAHA to oversee a **dedicated national policy agenda aimed at maximizing the affordability and security of tenure of renters**. First, the commonwealth working in tandem with state, territory and local governments should support tax and other changes to **facilitate significant institutional investment**, particularly by superannuation

funds, in large-scale construction of build-to-rent and build-to-rent-to-own models. Current legislation does not clearly account for these asset classes. Reform is needed to facilitate the conditions to make investing in affordable housing more sustainable, through land tax changes, inclusionary zoning, and subsidies, be that land or rent. These residences should be focussed on well-located, high-quality housing proximate to employment and community support networks and built with a view towards balancing social interaction and privacy, as well as energy-efficient design. More rental properties need be energy efficient with basic requirements for heating and cooling. This is not just about environmental benefits, but the economic benefits too, as so many renters experience energy poverty from living in inefficient properties. Build-to-rent must be seen not only as a vehicle for housing stimulus but a means towards another end: the aim for renters in this sector should be to cultivate a sense of pride, security and ownership that is indistinguishable from owner-occupied homes. Indeed, the task ahead of NAHA is not just to build buildings, but to build communities.

The second task of the NAHA should be **building up the capacity of community housing to help alleviate housing stress**. The state is not necessarily the best provider of housing. Smaller organisations that are closer to the community can often do a better, more agile job. This would build on initiatives announced in the 2017-18 commonwealth budget aimed at enabling not-for-profit associations to build more housing such as the National Housing Finance and Investment Corporation. We recommended the commonwealth government through NAHA adopt the Social Housing Acceleration and Renovation Program's (SHARP) recent community housing stimulus proposals in full, as the first step towards the development of a bi-partisan long-term national housing strategy linking all three levels of government. The commonwealth can also provide more support for more public housing construction by the states and territories. This would give Australia the winning quadrella – build-to-rent affordable private rental, build-to-rent-to-own, community housing and public housing. Build-to-rent and community housing can't solve the rental crisis alone and will largely support low to moderate-income renters. Australia's lowest income earners require more support too, to address homelessness and economic, health, and wellbeing issues of COVID-19.

5. Linked explicitly to the expansion of build-to-rent/build-to-rent-to-own, the NAHA should also **investigate the viability of establishing basic guidelines around a national charter of renter's rights and responsibilities**, setting national minimum standards around security of tenure, quality of private rentals, modifications to properties, fair rent increases, security bonds and protection from predatory landlords. Legislation governing the private rental market must be better aligned across jurisdictions and, as significantly more people remain in rental accommodation into older age, we must find ways to significantly improve security of tenure. The charter should seek through uniform tenancy laws a **two-year national minimum tenure for renters** to apply across state and territory jurisdictions, with only specific exceptions for those only needing short-term rentals, for example people moving to a new city to study or work, and not wanting to commit for more than a year, and/or undertaking work and study specifically not ongoing. At the very least uniform tenancy laws should be based upon the assumption that tenancies are ongoing as in Germany, and the inability for a property owner to evict without good reason – such as needing to live in the property themselves. Our national housing laws must stress that security of tenure is paramount. Ideally, this should be paired with providing incentives for landlords to offer long-let rentals. A charter should also spell out rights and responsibilities that specifically apply during Black Swan events such as COVID-19, crafted in consultation with government, tenants and tenants' associations, landlords, real estate

agents and single-owner managers. Germany is the best-practice country which the NAHA can seek to emulate in Australia. This pandemic will not be the last we endure so we need to be much better prepared next time around.

Opponents of greater security for tenants argue that it would decrease the supply of properties as landlords would fret over reduced long-run returns on investment. The opposite is likely to transpire. Longer leases attract families seeking security and give landlords and institutions more security, encouraging investment in the sector.[2]

The National Affordable Housing Agency should also pursue the following:

6. **End the 'dead money' practice of rental security bonds not delivering for renters**. Attractive alternatives should be considered such as: bonds could (a) be placed in an interest-generating, guaranteed account, which could be run by the states or the commonwealth; or (b) bond monies could be placed in the renter's nominated superannuation account, with appropriate legislative amendments to facilitate. The interest earned (a) or in the case of (b) return on investment would be solely owned by the renter. At the end of lease, the bond, depending on adjustments made for damage, could be held in perpetuity, or released to the renter with interest. Either way the bond monies would be put to work for the benefit of renters and the economy. Another option (c) is bond monies being subtracted from an individual's annual taxable income, which would have roughly the same effect of an interest generating account. In terms of our preferred option (b), the median rent across Australia is $436 per week, according to CoreLogic. In NSW alone, $1bn is estimated to be held in rental bonds, and across the 2.6 million Australian households who rent we might estimate that figure to be upwards of $4.5bn. Obviously, a reform of this nature will affect self-funding statutory authorities tasked with overseeing the existing rental bond system, and in turn tenants' advocacy groups. It will be necessary to carefully put in place transitional funding arrangements which incrementally shift the regressive cost burden off renters. However, given that $60m is raised in interest from bonds in NSW alone, and the same amount resides in accumulated surpluses in pooled bonds, this funding gap is not insurmountable. Germany provides a working model for Australian legislators. Finally, the NAHA should seek to establish a bond waiver system for women and families fleeing domestic violence, so they do not feel compelled to stay in unsafe accommodation.

Conclusion

The world – and our nation – changed indelibly in 2020. COVID-19 has uprooted life as we knew it.

Millions of people have been infected with the novel coronavirus. Australia has, fortunately, recorded relatively few deaths. Yet the economy is in recession for the first time in three decades. Mass unemployment and underemployment are wreaking misery on Australian workers.

Post-COVID-19 Australians expect more secure, better paid jobs; a strengthened social safety net; real sovereign capability; and of course, solutions to the long-term affordable housing crisis. In this context, an infrastructure-based stimulus plan restricted to HomeBuilder or fast-tracking existing projects will not suffice, nor mooted measures to be contained on the October 6 commonwealth budget, such as billions of dollars of fast-tracked income tax cuts, business incentives and workplace reforms. It must be paired with an ambitious commonwealth-led 'shovel ready' agenda to construct social and affordable housing and build-to-rent. These projects must use Australian-made products and be built by local workers and companies.

We are entering a prolonged national reconstruction era. Australia – and its leaders – can be inspired by our mid-to-late 1940s postwar reconstruction era. This year marks the 75th anniversary of the release of the Curtin Labor government's Full Employment White Paper. It arose from the establishment of a Department of Post War Reconstruction in 1942 and Britain's 1942 'Beveridge Report'. It inspired federal Labor's 1943 election motto: 'Victory in war, victory in peace', which promised working and middle Australia a peacetime dividend for the sacrifices they had made during the war. This promise formed the basis of Labor's generation-defining, full employment nation-building agenda. Government was obliged to guarantee full employment – the jobless rate envisaged as never exceeding 5% – and to intervene as needed through Keynesian economics. During the war, the Commonwealth effectively took over the power to levy income tax from state governments and extended the welfare state. Chifley Labor established a job-creating car manufacturing industry, expanded tertiary education – founding the ANU and the Commonwealth Reconstruction Training Scheme for returned servicemen and women – and pursued a program of mass immigration to assist projects such as the Snowy Mountains Scheme. While leading a nation at war, Curtin planned its transformation. Instructively, Menzies who became PM for a second time by defeating Chifley at the 1949 election, extended the wartime legacy despite spicy rhetoric about Labor's socialistic aims and dismantling the Reconstruction Department once in office. Until 1974, unemployment remained below 3%, bringing full employment to Australia for the first time, along with strong economic growth, high wages, better standards of living, falling inequality and a housing boom.

In 2020, Australia must develop a new policy framework for economic prosperity with fairness, preparing Australians for the rolling challenges of the present crisis and future pandemics.

Central to today's reconstruction task, it is time to fix a housing market which is not delivering on its basic purposes of housing security and affordability, whether it is home ownership or dignified renting. It is time to increase JobSeeker and CRA, which would have an immediate stimulatory effect. It is time to dig out the shovels and start constructing new dwellings. Build-to-rent and build-rent-to-own are priorities, as are the many manifestations of social housing.

As we continue to deal with a once-in-a-century pandemic and plot our economic exit strategy, a once-in-a-generation nation-building opportunity is upon us. That task starts at home.

Endnotes

Introduction

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